



**Valbridge**  
PROPERTY ADVISORS

## Appraisal Report

Fmr. Provident Mutual Life Insurance Co. Headquarters Building  
4601 Market Street  
Philadelphia, Pennsylvania 19139

Report Date: September 14, 2018



FOR:

Philadelphia Industrial Development Corporation  
1500 Market Street, Suite 2600 West  
Philadelphia, PA 19102

Attn: Mr. Thomas J. Dalfo, Senior Vice President

**Valbridge Property Advisors |  
Lukens and Wolf, LLC**

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Valbridge File Number:  
PA02-18-0094-000



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September 14, 2018

Philadelphia Industrial Development Corporation  
1500 Market Street, Suite 2600 West  
Philadelphia, PA 19102

Attn: Mr. Thomas J. Dalfo, Sr. Vice President

RE: Appraisal Report  
Fmr. Provident Mutual Life Insurance Co. Headquarters Building  
4601 Market Street  
Philadelphia, Pennsylvania 19139

Dear Mr. Dalfo:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The subject property, as referenced above, is located between Market Street (south boundary), Haverford Avenue (north boundary), N. 46th Street (east boundary) and N. 48th Street (west boundary) and is further identified as tax parcel number 774608200. The subject is reported to be a 13.00 acre site. Improvements consist of a 325,000 square foot shell building and a small former "power house" building.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

The client in this assignment is Philadelphia Industrial Development Corporation and the intended user of this report is Philadelphia Industrial Development Corporation (PIDC) and no others. The sole intended use is for guidance in connection with a possible sale. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

#### Extraordinary Assumptions:

- In developing our opinion of the excess ground value, we have assumed that it would be possible to gain access to the property from Haverford Avenue. This would require demolition of a portion of an old stone wall. If this assumption proves false our value opinion of the excess ground would need to be reconsidered.
- We were provided with a parcel map indicating a total site size of 13 acres that we have assumed to be correct. If this assumption proves false our value opinion could change.

#### Hypothetical Conditions:

- None

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

#### Value Conclusions

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	September 6, 2018
<b>Value Conclusion</b>	<b>\$10,000,000</b>
	<b>\$30.77 psf</b>

Respectfully submitted,  
Valbridge Property Advisors | Lukens and Wolf, LLC



Reaves C. Lukens III, MAI, SRA  
Managing Director  
PA Certified General Real Estate Appraiser  
Certification No.: GA-001542-L  
License Expires: June 30, 2019

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# Summary of Salient Facts

## Property Identification

Property Name	Fmr. Provident Mutual Life Insurance Co. Headquarters Building
Property Address	4601 Market Street Philadelphia, Pennsylvania 19139
Latitude & Longitude	39.959398, -75.214664
Tax Parcel Number	774608200
Property Owner	City of Philadelphia Department of Public Property

## Site

Zoning	Community Commercial Mixed Use (CMX-3)
FEMA Flood Map No.	4207570179G
Flood Zone	Zone X
Primary Land Area	7.463 acres (Estimated)
Excess Land Area	5.537 acres
Total Land Area	13.000 acres

## Existing Improvements

Property Use	Office
Occupancy Type	Vacant
Gross Building Area (GBA)	325,000 sf
Number of Stories	5
Year Built	1928
Condition	Shell
Construction Class	B - Fire Resistant, Reinforced Concrete Frame
Construction Quality	Good

## Valuation Opinions

Highest & Best Use - As Vacant	Residential/Mixed Use Development
Highest & Best Use - As Improved	Renovate for institutional use
Reasonable Exposure Time	6-12 months
Reasonable Marketing Time	6-12 months

## Value Indications

Approach to Value	As Is
Cost	Not Developed
Sales Comparison	\$10,000,000
Income Capitalization	
Yield Capitalization (DCF)	\$9,900,000

## Value Conclusions

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	September 6, 2018
<b>Value Conclusion</b>	<b>\$10,000,000</b>
	<b>\$30.77 psf</b>

## Aerial and Front Views

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**AERIAL VIEW**

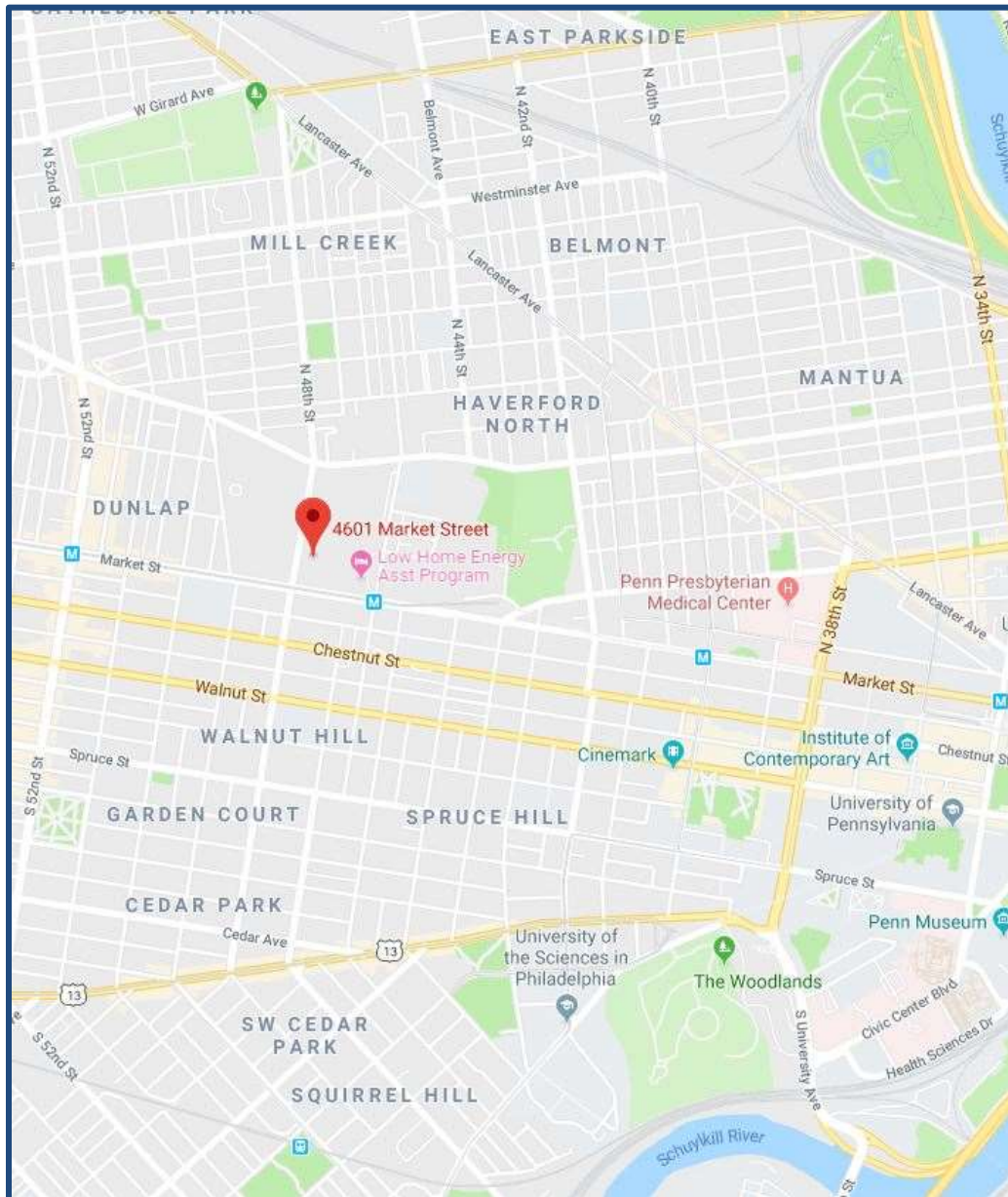


**FRONT VIEW**





## Location Map



# Introduction

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## Client and Intended Users of the Appraisal

The client in this assignment is Philadelphia Industrial Development Corporation and the sole intended user of this report is Philadelphia Industrial Development Corporation (PIDC).

## Intended Use of the Appraisal

The sole intended use of this report is for guidance in connection with a possible sale.

## Real Estate Identification

The subject property is located at 4601 Market Street, Philadelphia, Pennsylvania 19139. The subject property is further identified by the tax parcel number 774608200. Improvements consist of a 325,000 square foot shell building and a small former "power house" building.

## Legal Description

See legal description below

**ALL THAT CERTAIN lot or piece of ground together with the buildings and improvements thereon erected, situate in the 6th Ward of the City of Philadelphia and described in accordance with a plan of property prepared by Barton and Martin Engineers dated February 24, 1997.**

**Beginning at the point of intersection of the Northerly side of Market Street (100 feet wide) with the Westerly side of 46th Street (80 feet wide at this point); thence from said point of beginning extending North 78 degrees 59 Minutes 00 seconds West, along the said Northerly side of Market Street, 770.012 feet to the Easterly side of 48th Street (80 feet wide); thence extending North 12 degrees 00 minutes 40.75 seconds East, along the said Easterly side of 48th Street, 1,187.487 feet to a point on the Southerly side of Haverford Avenue (80 feet wide); thence extending South 78 degrees 50 minutes 30.25 seconds East, along the said Southerly side of Haverford Avenue, 150.061 feet to an angle point; thence extending North 86 degrees 17 minutes 29.75 seconds East, along the said Southerly side of Haverford Avenue 496.854 feet to a point; thence extending South 12 degrees 22 minutes 46 seconds West 628.941 feet to a point; thence extending South 77 degrees 37 minutes 14 seconds East 150.000 feet to a point on the Westerly side of 46th Street (80 feet wide at this point); thence extending South 12 degrees 22 minutes 46 seconds West, along the said Westerly side of 46th Street, 681.091 feet to the point and place of beginning.**

**Containing in Area 20.04144 Acres.**

**BEING known as 4601 Market Street.**

**EXCEPTING THEREFROM AND THEREOUT the lot or piece of ground described below with the buildings and improvements thereon erected which Urban Education Development Research and Retreat Center, a Pennsylvania Non-Profit Corporation, by Deed dated November 1, 2004 and recorded in the Philadelphia Department of Records on November 10, 2004 as Document No. 51054254, granted and conveyed unto the City of Philadelphia, in fee.**



**ALL THAT CERTAIN lot or piece of ground together with the buildings and improvements thereon erected SITUATE in the 6th Ward of the City of Philadelphia and described in accordance with a plan of property prepared by Barton and Martin Engineers, a division of Vollmer Associates dated August 16, 2004.**

**BEGINNING at a point of intersection of the Easterly side of 48th Street (80 feet wide) and the Southerly side of Haverford Avenue (80 feet wide); thence from said point of beginning, extending the following five (5) courses and distances:**

- 1) Along the said side of Haverford Avenue South 78 degrees 50 minutes 30.25 seconds East 150.061 feet to an angle point;**
- 2) Continuing along the said side of Haverford Avenue North 86 degrees 17 minutes 29.75 seconds East 186.093 feet to a point;**
- 3) South 12 degrees 00 minutes 40.75 seconds West 698.860 feet to a point;**
- 4) North 77 degrees 59 minutes 19.25 seconds West 329.177 feet to a point on the said side of 48th Street;**
- 5) Along the said side of 48th Street North 12 degrees 00 minutes 40.75 seconds East 646.207 feet to the first mentioned point and place of beginning.**

**CONTAINING in area 5.00 acres.**

**SAID excluded parcel being known as 91 North 48<sup>th</sup> Street.**

The preceding legal description produces a site area of 15.04144 acres. We were provided with a parcel map indicating a total site area of 13.00 acres which is the total used in this report.

### [Use of Real Estate as of the Effective Date of Value](#)

As of the effective date of value, the subject improvements were vacant.

### [Use of Real Estate as Reflected in this Appraisal](#)

The opinion of value for the subject as is reflects use as a shell building.

### [Ownership of the Property](#)

According to public records, title to the subject property is vested in City of Philadelphia Department of Public Property.

### [History of the Property](#)

Ownership of the subject property has not changed within the past three years. The city acquired the property on May 21, 2014 for a reported consideration of \$4,000,000. It is our understanding that they subsequently spent in excess of \$50,000,000 on environmental remediation, interior gutting, and razing dilapidated structures. When appropriate, we have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

## Listings/Offers/Contracts

The subject has been marketed for sale, and the city is rumored to be in negotiations with a private developer.

## Type and Definition of Value

The appraisal problem (the term "Purpose of Appraisal" has been retired from appraisal terminology) is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus." Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated;*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."*<sup>1</sup>

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

## Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Fee Simple Interest	September 6, 2018

We completed an appraisal inspection of the subject property on June 1, 2018, and an exterior inspection on September 6, 2018.

## Date of Report

The date of this report is September 14, 2018.

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<sup>1</sup> Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

## List of Items Requested but Not Provided

- All requested information was provided

## Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

### Extraordinary Assumptions

- In developing our opinion of the excess ground value, we have assumed that it would be possible to gain access to the property from Haverford Avenue. This would require demolition of a portion of an old stone wall. If this assumption proves false our value opinion of the excess ground would need to be reconsidered.
- We were provided with a parcel map indicating a total site size of 13 acres that we have assumed to be correct. If this assumption proves false our value opinion could change.

### Hypothetical Conditions

- None

## Assignment Challenges

The appraisal of the subject is complicated by the very unique nature of the improvements and the subject's location in an area which has seen little in the way of typically motivated development. The site's size is much larger than most sites within the City of Philadelphia. Any projections of future development density are highly speculative.

The subject improvement are extremely large and have floor plates which complicate redevelopment. Prior to the sale, the subject experienced a significant vacancy problem. Since the sale, the City demoed the interior finishes, removed valueless ancillary buildings, and made substantial progress in positioning the site for redevelopment.

There are renderings which show interior floor sections being removed to create more attractive spaces. Estimating how much building area will need to be removed is also highly speculative. It is likely that any redevelopment of the site will require substantial government support or support from University City stakeholders such as University of Pennsylvania, Children's Hospital of the University of Pennsylvania, or Drexel.

# Scope of Work

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The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

## Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via public records.
- Economic Characteristics - Economic characteristics of the subject property were identified via market participant surveys, our company database, third party sources, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via an appraisal inspection that consisted of interior and exterior observations.

## Extent to Which the Property Was Inspected

We inspected the subject on June 1, 2018. The improvements were not measured during the course of the inspection.

## Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type.

## Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the cost approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.
- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.

- Income Capitalization Approach - In the income capitalization approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment the Sales Comparison Approach was developed. The Income Capitalization Approach was developed at the specific request of the client. Given the extremely unique nature of the subject and improvements a traditional Income Capitalization Approach was not possible. The Income Capitalization Approach will consist of a discounted cash flow (DCF) analysis which considers the value of the "pieces" (land and improvements) and projects a sellout over time. Those projected cash flows were discounted to an indication of present value. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

### Appraisal Conformity and Report Type

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

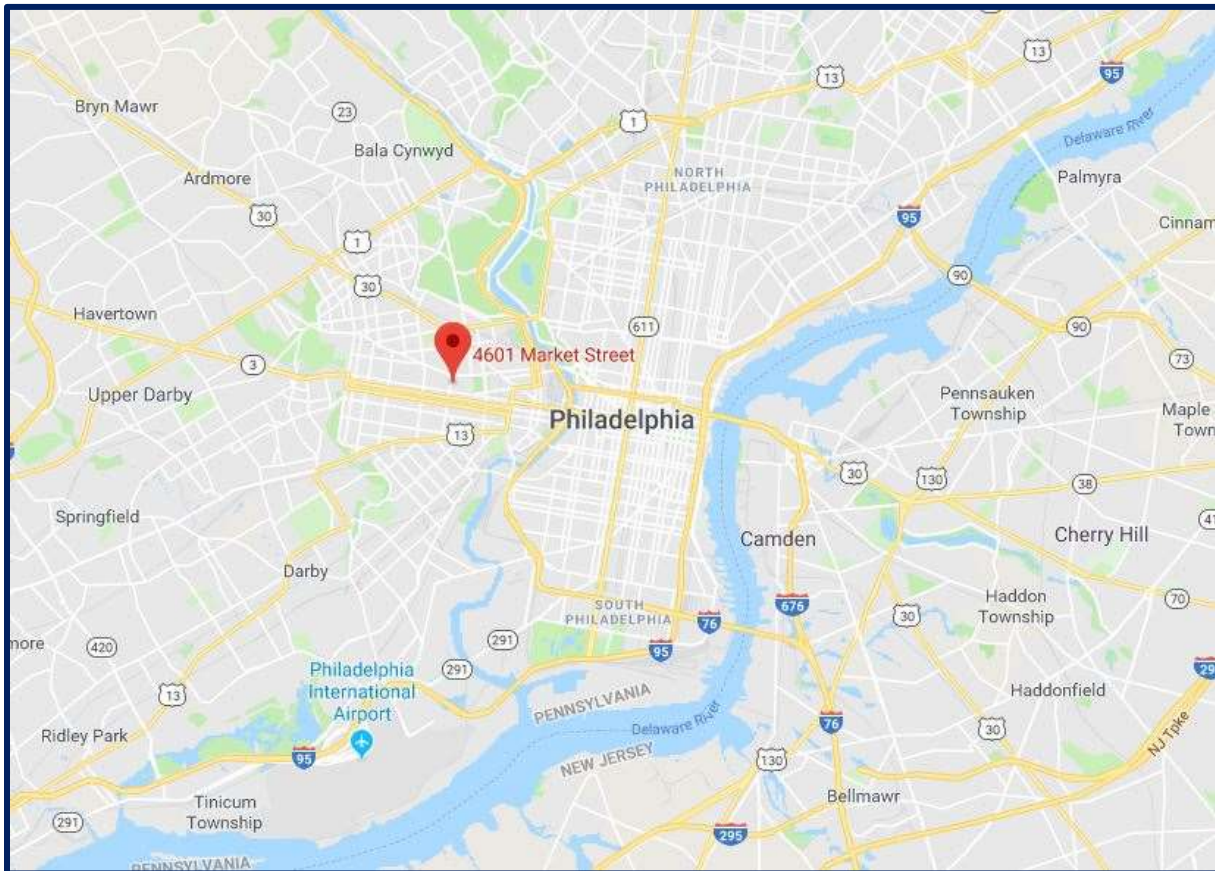
### Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.



# Regional and Market Area Analysis

## REGIONAL MAP



## Overview

The subject is located in the City of Philadelphia, which is part of the Philadelphia MSA. The subject location is proximate to good linkages, a large population, a strong and diverse workforce, and many commercial, residential, and industrial properties. The Philadelphia MSA is estimated to contain over six million residents. The total population has increased steadily and is projected to continue to increase in the future. However, the population growth rate has been lower than that in other areas resulting in the Philadelphia MSA falling to the seventh largest in the country in terms of population. Nevertheless, the continuous development and modest population growth throughout the MSA indicates there is interest in living and working near the City of Philadelphia.

## Population

Population characteristics relative to the subject property are presented in the following table.

<b>Population</b>						
<b>Area</b>	<b>2000</b>	<b>2010</b>	<b>Annual % Change 2000 - 10</b>	<b>Estimated 2018</b>	<b>Projected 2023</b>	<b>Annual % Change 2018 - 23</b>
United States	281,421,906	308,745,538	1.0%	330,088,686	343,954,683	0.8%
Pennsylvania	12,281,054	12,702,379	0.3%	12,992,598	13,140,705	0.2%
Philadelphia MSA	5,687,144	5,965,343	0.5%	6,183,819	6,317,119	0.4%
Philadelphia City, PA	1,517,550	1,526,006	0.1%	1,591,765	1,625,976	0.4%
19139 (Philadelphia)	43,266	41,121	-0.5%	42,173	43,239	0.5%
<i>Source: Site-to-Do-Business (STDB Online)</i>						

## Transportation

Major transportation routes in the larger area include a number of highways such as The Pennsylvania Turnpike, the Schuylkill Expressway (I-76), the Vine Street Expressway (I-676), the Blue Route (I-476), I-95, and smaller highways such as Routes 1, 309 and 202. Public transportation in the region is provided by the Southeastern Pennsylvania Transportation Authority (SEPTA) and PATCO (New Jersey). Services include regional rail, subway, and bus service. Amtrak service is available at 30th Street Station. Access in the region is considered good.

## Employment

Employment in the City of Philadelphia is heavily concentrated in the services industry, largely consisting of healthcare, educational, and hospitality services. This sector accounts for almost 59% of jobs. Retail trade follows with nearly 10% of jobs.

### Employment by Industry - Philadelphia City, PA

<b>Industry</b>	<b>2018 Estimate</b>	<b>Percent of Employment</b>
Agriculture/Mining	1,339	0.2%
Construction	26,781	4.0%
Manufacturing	42,181	6.3%
Wholesale trade	12,052	1.8%
Retail trade	64,945	9.7%
Transportation/Utilities	34,816	5.2%
Information	11,382	1.7%
Finance/Insurance/Real Estate Services	43,520	6.5%
Education, Healthcare, and Hospitality	391,679	58.5%
Public Administration	41,511	6.2%
Total	669,537	100.0%
<i>Source: Site-to-Do-Business (STDB Online)</i>		

## Unemployment

The following table exhibits current and past unemployment rates as obtained from the Bureau of Labor Statistics. Overall, the City of Philadelphia has one of the highest unemployment rates in the state. The unemployment rates for Pennsylvania and the Philadelphia MSA are in line with the national rate.

### Unemployment Rates

Area	YE 2011	YE 2012	YE 2013	YE 2014	YE 2015	YE 2016	YE 2017	2018 YTD
United States	8.5%	7.9%	6.7%	5.6%	5.0%	4.7%	4.1%	3.8%
Pennsylvania	7.8%	7.9%	6.7%	5.4%	5.2%	5.3%	4.8%	4.2%
Philadelphia MSA	7.9%	8.0%	6.3%	5.2%	4.5%	4.4%	4.2%	4.6%
Philadelphia City, PA	10.2%	10.5%	8.5%	6.7%	6.1%	5.9%	5.6%	5.9%

*Source: Bureau of Labor Statistics - Year End - National & State Seasonally Adjusted*

## Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA compares favorably to the state and the country.

### Median Household Income

Area	Estimated 2018	Projected 2023	Annual % Change 2018 - 23
United States	\$58,100	\$65,727	2.6%
Pennsylvania	\$57,362	\$64,778	2.6%
Philadelphia MSA	\$67,424	\$76,303	2.6%
Philadelphia City, PA	\$41,506	\$48,040	3.1%
19139 (Philadelphia)	\$26,858	\$29,860	2.2%

*Source: Site-to-Do-Business (STDB Online)*

## Conclusions

The Philadelphia area is a significant metropolitan area in the country and is the dominant metropolitan area in the state. The continuous development and population growth throughout the MSA indicates there is interest in living and working near Philadelphia. The secondary markets that surround the City of Philadelphia benefit from their proximity to the city. The total population in Philadelphia has increased steadily in recent years and is projected to continue to increase in the future.



# City and Neighborhood Analysis

The subject is located in west Philadelphia, close to University City which houses institutions such as the University of Pennsylvania, Drexel University, and Children's Hospital of Philadelphia. While the subject property is located outside of these universities boundaries, increasing enrollment and continued expansion is likely to extend toward the subject's location.

The subject neighborhood is located in the Mill Creek section of Philadelphia. The area is urban in nature. The neighborhood is bounded by Carroll Park and West Parkside to the north, Belmont and Haverford north to the east, Walnut Hill to the south, and Haddington and Dunlap to the west.

## Demographics

The following table depicts the area demographics in Philadelphia within a five-, ten-, and fifteen minute drive radius from the subject.

### Neighborhood Demographics

Radius	5 minutes	10 minutes	15 minutes
<b>Population Summary</b>			
2000 Population	61,667	194,455	445,322
2010 Population	60,426	186,917	440,304
2018 Population	64,957	197,059	465,402
2023 Population Estimate	67,524	202,180	480,155
Annual % Change (2018 - 2023)	0.8%	0.5%	0.6%
<b>Housing Unit Summary</b>			
2000 Housing Units	29,918	85,305	205,236
% Owner Occupied	28.9%	42.4%	44.9%
% Renter Occupied	55.4%	43.2%	42.2%
2010 Housing Units	29,066	84,148	207,690
% Owner Occupied	25.3%	36.7%	41.2%
% Renter Occupied	60.2%	48.8%	46.0%
2018 Housing Units	30,407	87,474	216,522
% Owner Occupied	23.8%	34.6%	39.0%
% Renter Occupied	63.8%	52.1%	49.5%
2023 Housing Units	31,256	89,355	222,243
% Owner Occupied	23.9%	34.8%	39.1%
% Renter Occupied	64.4%	52.2%	50.0%
Annual % Change (2018 - 2023)	0.6%	0.4%	0.5%
<b>Income Summary</b>			
2018 Median Household Income	\$27,933	\$29,657	\$39,869
2023 Median Household Income Estimate	\$31,655	\$33,804	\$46,507
Annual % Change	2.5%	2.7%	3.1%
2018 Per Capita Income	\$19,532	\$18,662	\$27,500
2023 Per Capita Income Estimate	\$22,183	\$21,300	\$31,552
Annual % Change	2.6%	2.7%	2.8%

Source: Site-to-Do-Business (STDB Online)

## Transportation Access

Within the immediate area of the subject property, transportation access helps define the character of its development. Major travel and commuter routes within the area of the subject property include Chestnut and Walnut Streets and the Schuylkill Expressway (Interstate 76). The subject is directly across from the 46<sup>th</sup> Street Station of the Market Frankford Elevated train. Access to the area is considered good.

## Conclusions

Overall, the subject neighborhood is in the revitalizing stage of its life cycle.



## Site Description

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The subject site is located between Market Street (south boundary), Haverford Avenue (north boundary), N. 46th Street (east boundary) and N. 48th Street (west boundary). The characteristics of the site are summarized as follows:

### Site Characteristics

Gross Land Area:	13.00 Acres (7.463 acres allocated to the existing building)
Shape:	Irregular
Average Depth:	1,200.00 feet
Topography:	Generally level
Drainage:	Assumed adequate
Grade:	Above street grade
Utilities:	All available
Off-Site Improvements:	Traffic signals at nearby intersections include 48th and Market Streets, 46th and Market Streets, 48th Street and Haverford Avenue as well as 46th Street and Haverford Avenue.
Interior or Corner:	Double Corner
Signalized Intersection:	Yes: - Traffic signal at the site that enhances access
Excess Land:	5.537 Acres

### Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	N. 46th Street	Market Street
Street Type:	Two lane north south street with parking on each side	Two lane east west street with parking on each side
Frontage (Linear Ft.):	681.00	770.00
Number of Curb Cuts:	3	2
Traffic Count (Cars/Day):	8205	8501

### Additional Access

The subject has 541 feet of frontage on N. 48<sup>th</sup> Street with multiple curb cuts and 311 feet of frontage on Haverford Avenue. The subject is not currently accessible from Haverford Avenue.

### Flood Zone Data

Flood Map Panel/Number:	4207570179G
Flood Map Date:	01-17-2007
Portion in Flood Hazard Area:	0.00%
Flood Zone:	Zone X: An area that is determined to be outside the 100 and 500 year floodplains

### Other Site Conditions

Soil Type:	Assumed adequate
Environmental Issues:	The subject property has gone through extensive environmental remediation, and the site is assumed to be suitable for development.
Easements/Encroachments:	None Known

### Adjacent Land Uses

North:	Residential
South:	Commercial Use
East:	Aldi, Residential
West:	Juvenile Justice Service Center, CHOP

### Site Ratings

Access:	Above Average
Visibility:	Very Good

### Zoning Designation

Zoning Jurisdiction:	City of Philadelphia
Zoning Classification:	CMX-3, Community Commercial Mixed Use
Permitted Uses:	Household Living, Group Living, Educational, Hospital, Office, Moving and Storage, Retail
Zoning Comments:	Maximum occupied area for a corner lot: 80% Maximum FAR 500 with bonus FAR of up to 300% lot area for mixed income housing and green buildings

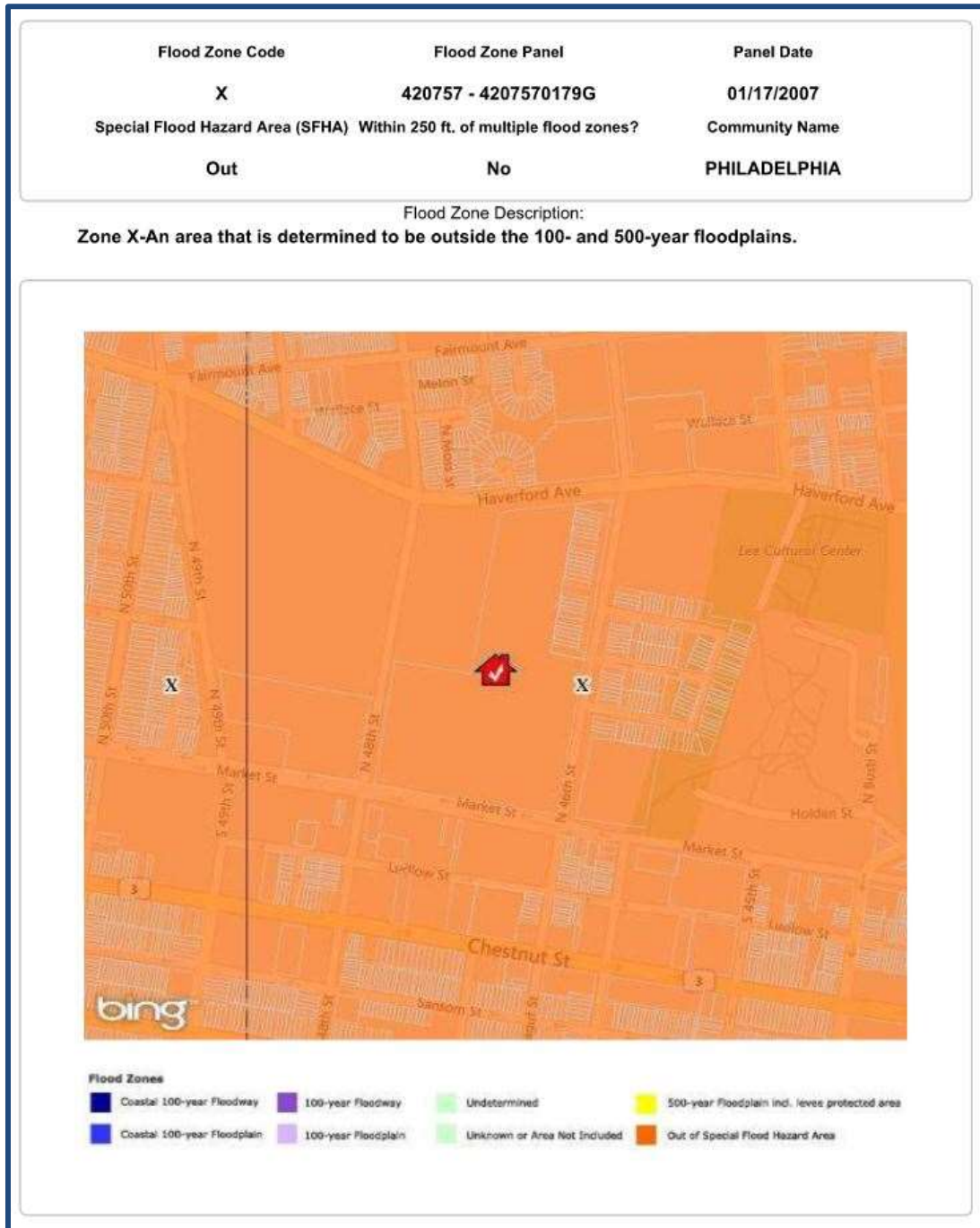
### Analysis/Comments on Site

The site is irregular in shape, consists of thirteen acres with four street frontages. Frontages include Market Street, Haverford Avenue, 46th and 48th Streets. Of the 13 acres, it is our opinion that about 7.463 acres is needed to support the existing improvements and the balance could be alternatively developed.

**TAX/PLAT MAP**

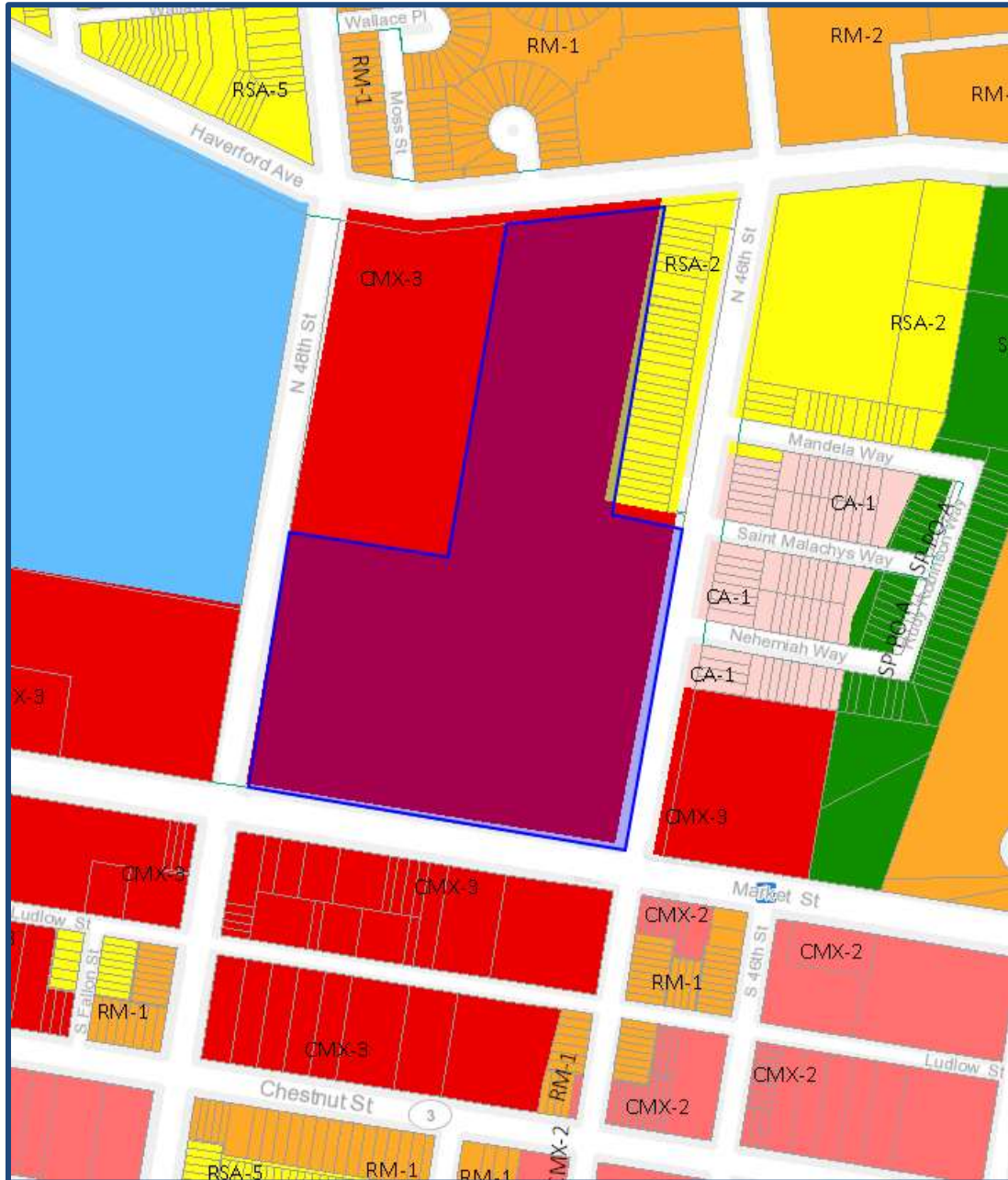


## FLOOD MAP





**ZONING MAP**





## Improvements Description

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Improvements consist of a 325,000 square foot shell building and a small former "power house" building. While there is at least one proposed re-use for the "power house," it is our opinion that redevelopment of the "power house" is not economically feasible.

### Improvement Characteristics

Property Type:	Office
Occupancy Type:	Vacant
Tenancy:	Single-Tenant
Number of Buildings:	2
Number of Stories	5
Construction Class:	B - Fire Resistant, Reinforced Concrete Frame per Marshall Valuation Service
Construction Quality:	Good
Gross Building Area (GBA):	325,000 SF (based on Ownership)

### Ratios

Land-to-Building Ratio:	1.00 to 1 (Allocated Site Land/GBA)
	1.74 to 1 (Total Site Area/GBA)

### Age / Life

Year Built:	1928
Condition:	Shell
Actual Age:	90 years

### Structural Characteristics

Foundation:	Reinforced concrete footings and concrete slab
Building Frame:	Masonry and steel
Exterior Walls:	Brick and Limestone
Roof Type / Material:	Other / Asphalt

### Interior Characteristics

Floors:	Carpet, ceramic and terrazzo tiles and concrete flooring
Walls:	Stone or plaster
Ceiling:	Painted plaster and acoustic tile
Lighting:	Halogen (temporary fixtures)
Restrooms:	The restrooms have been removed.

## Mechanical Systems

Electrical:	Temporary Electric
Plumbing:	The majority of the plumbing has been removed.
Heating:	None
Air Conditioning:	No A/C
Fire Protection/Sprinklers:	Wet system / 100% sprinklered, fire alarms and exit signs
Number of Elevators:	6

## Site Improvements

Site Improvements:	The site is improved with large asphalt paved parking lots, pole mounted exterior lighting as well as pole mounted security cameras. The site is enclosed with cyclone fencing.
Landscaping:	Minimal landscaping

## Legal, Conforming Status

Legally Permitted Use:	Yes
Conforms to Parking:	No
Conformity Conclusion:	The subject property's potential re-use as an apartment conversion conforms to the zoning designation as well as the needs within the community.

## Analysis/Comments on Improvements

The building is presently vacant and in shell condition. Substantially all of the interior fit-out has been removed in anticipation of re-configuring for future use. The five-story plus basement building is equipped with six non-functioning elevators. The heating and air-conditioning system has been removed. A sprinkler system has been put into place on most of the floors. The basement has a significant water infiltration issue. The functional utility of the property is based upon a comparison of similar properties in the market area.

## Subject Photos

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Front Elevation



View from Market Street



Excess Land



Power House





Lobby



Interior Shell





Interior Shell



Roof



Water Infiltration



Water Infiltration

## Assessment and Tax Data

### Assessed Values and Property Taxes

The subject's assessed values, applicable tax rates and total taxes, including direct assessments, are shown in the following table:

#### Ad Valorem Tax Schedule

**Tax Parcel Number: 774608200**

Philadelphia County Year	Actual 2017	Actual 2018	Actual 2019
<b>Appraised Value</b>			
Land:	\$13,095,100	\$12,862,296	\$12,862,300
Improvements:	\$86,042,700	\$93,003,504	\$93,003,500
Total:	\$99,137,800	\$105,865,800	\$105,865,800
Per Square Foot:	\$305.04	\$325.74	\$325.74
% Change:		6.8%	0.0%
<b>Assessment Ratio</b>	100.00%	100.00%	100.00%
<b>Assessed Value</b>			
Land:	\$13,095,100	\$12,862,296	\$12,862,300
Improvements:	\$86,042,700	\$93,003,504	\$93,003,500
Total:	\$99,137,800	\$105,865,800	\$105,865,800
% Change:		6.8%	0.0%
<b>Tax Rate</b>	\$13.980000	\$13.980000	\$14.572000
% Change:		0.0%	4.2%
<b>Millage Rate</b>	per \$1,000	per \$1,000	per \$1,000
<b>Tax Expense</b>			
	Actual 2017	Actual 2018	Actual 2019
Total:	\$1,385,946	\$1,480,004	\$1,542,676
Per Square Foot:	\$4.26	\$4.55	\$4.75

### Conclusions

The subject property is currently tax exempt because of City ownership.

## Highest and Best Use

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The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

While improved properties may have a highest and best use that is different than the existing use, the existing use will generally continue until land value exceeds the value of the property at its existing use plus demolition costs. It is not always necessary to determine the highest and best use of an improved property both As If Vacant and As Improved. In many cases the determination of whether the value as improved exceeds the site value is straightforward and does not require an opinion of market value of the site. In such cases a determination of highest and best use of the site (aside from excess land, if present) is neither germane nor required. If however there is a reasonable question as to whether the site value exceeds the value as improved then a determination of highest and best use as if vacant is mandated.

In this instance the value as improved significantly exceeds any reasonable expectation of value of the site only. Thus the following analysis is limited to the highest and best use as improved.

### Analysis of Highest and Best Use as Improved

In determining the highest and best use of the property as improved, we consider three possibilities for the property: 1) continuation of the existing use with or without modification to improvements, 2) a change in use, or 3) demolition and redevelopment of the land.

#### Legally Permissible

A threshold of highest and best use is what is legally permissible. This analysis considers applicable, private restrictions, zoning constraints and the potential for change of same, historic district controls, urban renewal ordinances, and other possible legal factors that may result in limitations on development. The primary limiting factors are typically associated with the zoning of the site and easements which reduce development potential. The elements associated with these potential influences are summarized below.

LEGAL ISSUES	
Characteristic	Conclusion
Zoning	CMX-3, Community Commercial Mixed Use
Permitted Uses	Household Living, Group Living, Educational, Hospital, Office, Moving and Storage, Retail
Probability of Change	Unlikely
Easements/Regulations	Typical

The subject site is improved with a gross building area of 325,000 square feet excluding the “power house.” The improvements have been cleared of substantially all interior partitioning, plumbing and other mechanicals. The interior is largely ready for interior reconfiguration. The subject improvements appear to conform to zoning. Zoning will allow for development with a wide variety of commercial and residential uses. It would be legally permissible to redevelop the improvements with institutional, office, or residential. The site also has excess ground which could be sold independently or developed as part of a campus.

#### Physically Possible

Multiple factors affect the uses with which the property as improved may be utilized. These factors discussed earlier and are summarized in the following table, followed by a conclusion as to potential limitations imposed by the physical characteristics.

#### **PHYSICAL CHARACTERISTICS**

<b>Characteristic</b>	<b>Conclusion</b>
Land Area	13.00 acres
Current Use	Shell buildings and vacant ground
Gross Building Area	325,000 square feet
Stories	5
Year Built	1928
Condition	For the main building, no environmental issues were noted at the time of inspection or disclosed by ownership that would impact value. A full environmental audit is recommended for the power house.

The physically possible uses of the subject as improved include demolition of the existing improvements for an alternative use or redevelopment of the main building.

The site improvement physically could accommodate redevelopment for an institutional use, such as an educational facility, or governmental/social service facility agency. It could potentially be used for medical related facilities or other office use.

The main building also could be reconfigured for a residential use.

The power house could also be renovated for a variety of uses.

#### Financially Feasible

After determining the uses that are legally permissible and physically possible, an appraiser considers the uses that are likely to produce an adequate return on investment. The subject improvements are older and of significant architectural value. We believe that the subject could qualify for historic rehabilitation tax credits. If the subject receives a historic designation, the credits could be substantial.

The subject’s location is outside of the most active redevelopment areas. It is our opinion that a market oriented office redevelopment would not be financially feasible. Given the character of the building, redevelopment for a government agency or other institutional use would be feasible.



It is our opinion that redevelopment for multi-family residential purposes would also be feasible. This could be enhanced through use of historic and low income housing tax credits.

It is our opinion the reuse of the power house is not financially feasible.

After successful redevelopment of the main building we believe it would be financially feasible to sell the excess land for complimentary development.

#### Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as improved is redevelopment of the main building for institutional use. After successful repositioning of the main building, it is our opinion that redevelopment of the excess ground would be feasible.

#### Conclusion of Highest and Best Use as Improved

The highest and best use of the subject property, as improved, is to renovate the main building for institutional use and development of the excess ground for complimentary uses.

#### Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is a developer for use by institutional users.

# Sales Comparison Approach

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## Methodology

The sales comparison approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

## Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for properties such as the subject property is price per square foot of gross building area or price per square foot.

## Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location, and (7) physical characteristics.

## Comparable Sales Data

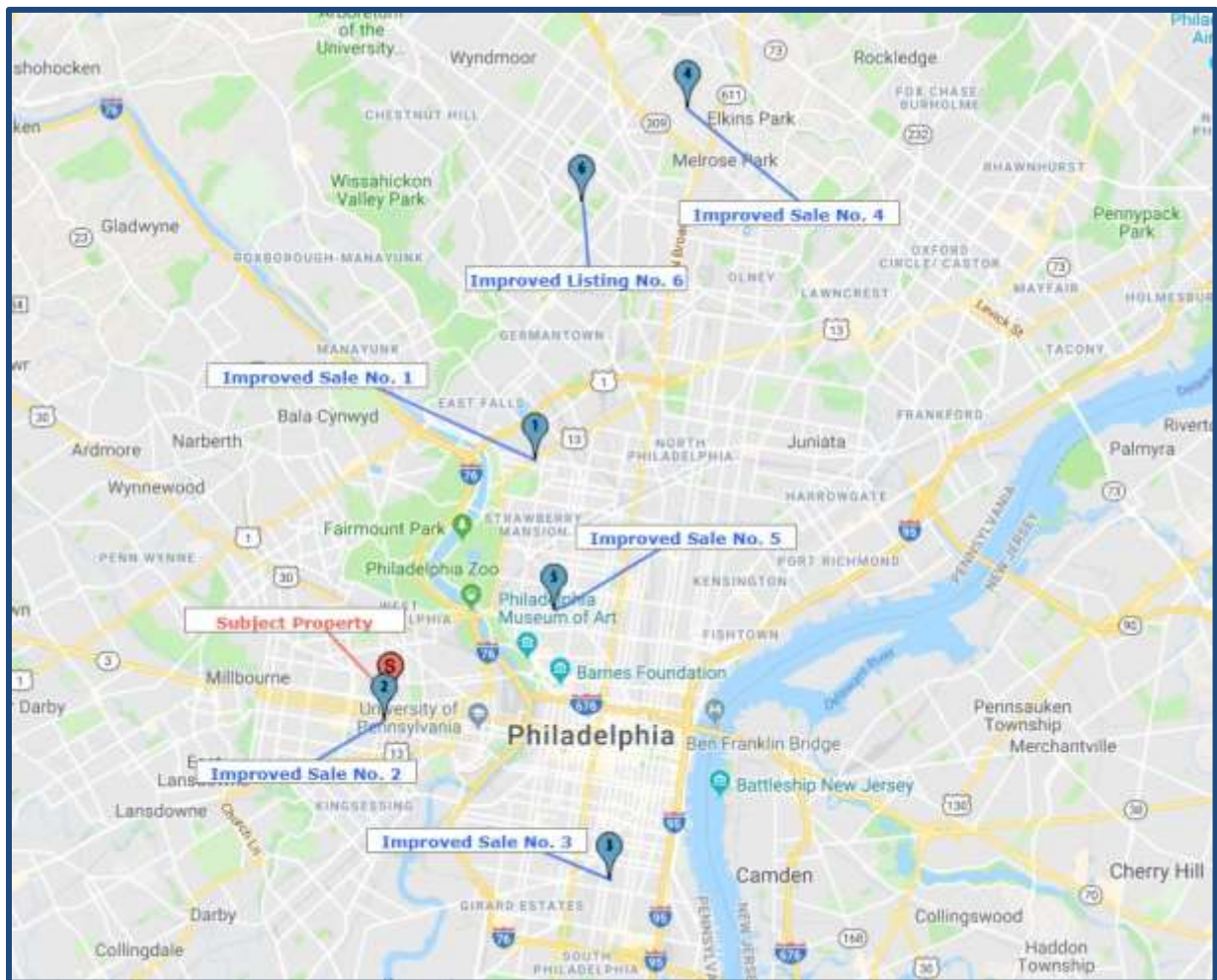
To obtain and verify comparable sales and listings of office properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, as well as a review of our internal database.

We included six sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.

### Improved Sales Summary

Comp. No.	Date of Sale	Property Name	Year Built	GBA	Unadjusted Sale Price	PSF
1	January-15	Fmr. Medical College of PA	1950's	322,262	\$2,100,000	\$6.52
2	February-15	Fmr. West Philadelphia High School	1911	382,444	\$5,100,000	\$13.34
3	July-15	Fmr. Edward W. Bok Technical High School	1936	338,000	\$1,750,000	\$5.18
4	March-17	Fmr. Tyler School of Art	1920-1973	162,661	\$1,200,000	\$7.38
5	May-17	Fmr. Vaux School	1936	216,300	\$2,000,000	\$9.25
6	Offered	Fmr. Ada Lewis Middle School	1970s	187,000	\$2,500,000	\$13.37

### COMPARABLE SALES MAP



## COMPARABLE 1



### Property Identification

<b>Property/Sale ID</b>	38755/14520
<b>Property Type</b>	Senior Housing
<b>Property Name</b>	Fmr. Medical College of PA
<b>Address</b>	3232 Henry Avenue
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19129
<b>MSA</b>	Philadelphia, PA-NJ
<b>Latitude/Longitude</b>	40.005100/-75.178982
<b>Tax ID</b>	775010520

### Transaction Data

<b>Sale Date</b>	01-02-2015	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Closed	<b>Financing</b>	Cash to seller
<b>Grantor</b>	Commonwealth of Pennsylvania	<b>Conditions of Sale</b>	Arm's Length
<b>Grantee</b>	Newcourtland Elder Services Inc.	<b>Deed Book/Page</b>	52869928
		<b>Sale Price</b>	\$2,100,000

### Property Description

<b>Gross Building SF</b>	322,262	<b>Pkg/1,000 SF GBA</b>	1.09
<b>Stories</b>	9	<b>Gross Acres</b>	13.87
<b>Building Condition</b>	Fair	<b>Flr. Area Ratio (FAR)</b>	0.53
<b>Building Quality</b>	Good	<b>Gross Land to Bldg.</b>	1.87
<b>Construction Class</b>	B - Fire Resistant, Reinforced Concrete Frame	<b>Access</b>	Average
<b>Year Built</b>	1950's	<b>Visibility</b>	Good
<b>Occupancy Type</b>	Vacant	<b>Corner/Interior</b>	Corner
<b>Tenancy</b>	Single-Tenant	<b>Flood Hazard Zone</b>	Zone X - Outside 100 and 500 year floodplains
<b>Sprinklers</b>	Wet system	<b>Zoning Jurisdiction</b>	City of Philadelphia
<b>Parking Spaces</b>	350	<b>Zoning Code</b>	RSA-5

**Physical Indicators**

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<b>\$/SF GBA</b>	\$6.52	<b>Occupancy</b>	0%
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**Verification**

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<b>Confirmed With</b>	Deed, Public Records
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**Remarks**

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Property is located on Henry Avenue at Roosevelt Boulevard. The property was built as a hospital, but last used as a youth detention facility. The buyer plans to redevelop the facility into a subsidized senior living facility.



## COMPARABLE 2



### Property Identification

<b>Property/Sale ID</b>	32627/14807
<b>Property Type</b>	School, University
<b>Current Use</b>	School
<b>Property Name</b>	Fmr. West Philadelphia High School
<b>Address</b>	4700 Walnut Street
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19139
<b>MSA</b>	Philadelphia, PA-NJ
<b>Latitude/Longitude</b>	39.955651/-75.216615
<b>Tax ID</b>	78-3567000

### Transaction Data

<b>Sale Date</b>	02-19-2015	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Closed	<b>Financing</b>	Cash to seller
<b>Grantor</b>	School District of Philadelphia	<b>Conditions of Sale</b>	Arm's Length
<b>Grantee</b>	WPHS Venture Partners LLC, Brooklyn NY	<b>Deed Book/Page</b>	52884503
		<b>Sale Price</b>	\$5,100,000

### Property Description

<b>Gross Building SF</b>	382,444	<b>Parking Spaces</b>	0
<b>No. of Lots</b>	1	<b>Gross Acres</b>	4.03
<b>Stories</b>	4	<b>Flr. Area Ratio (FAR)</b>	2.18
<b>Building Condition</b>	Shell	<b>Gross Land to Bldg.</b>	0.46
<b>Building Quality</b>	Good	<b>Access</b>	Good
<b>Construction Class</b>	C - Masonry	<b>Visibility</b>	Good
<b>Year Built</b>	1911	<b>Corner/Interior</b>	Corner
<b>Occupancy Type</b>	Vacant	<b>Flood Hazard Zone</b>	Zone X - Outside 100- and 500-year floodplains
<b>Tenancy</b>	Multi-Tenant	<b>Zoning Jurisdiction</b>	City of Philadelphia
<b>Elevators</b>	0	<b>Zoning Code</b>	CMX-3
<b>Sprinklers</b>	Wet system		
<b>Parking Conforms</b>	No		

**Physical Indicators**

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<b>\$/SF GBA</b>	\$13.34	<b>Occupancy</b>	0%
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**Verification**

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<b>Confirmed With</b>	William Fox, Jr.
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**Remarks**

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There was a gymnasium built along the back side of the building during the 1970s.

Sold to a developer

### COMPARABLE 3



#### Property Identification

<b>Property/Sale ID</b>	35011/10518
<b>Property Type</b>	School, University
<b>Current Use</b>	Vacant - Former School
<b>Property Name</b>	Fmr. Edward W. Bok Technical High School
<b>Address</b>	1901 S. 9th Street
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19148
<b>MSA</b>	Philadelphia, PA-NJ
<b>Latitude/Longitude</b>	39.925303/-75.160476
<b>Tax ID</b>	78-1609200

#### Transaction Data

<b>Sale Date</b>	07-06-2015	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Closed	<b>Financing</b>	Cash to seller
<b>Grantor</b>	School District of Philadelphia	<b>Conditions of Sale</b>	Arm's Length
<b>Grantee</b>	Building BOK, LP	<b>Deed Book/Page</b>	52940418
		<b>Sale Price</b>	\$1,750,000

#### Property Description

<b>Gross Building SF</b>	338,000	<b>Gross Acres</b>	2.24
<b>No. of Units</b>	1	<b>Flr. Area Ratio (FAR)</b>	3.46
<b>No. of Lots</b>	1	<b>Gross Land to Bldg.</b>	0.29
<b>Stories</b>	5	<b>Density (Units/Acre)</b>	0.45
<b>Building Condition</b>	Fair	<b>Access</b>	Good
<b>Building Quality</b>	Good	<b>Visibility</b>	Good
<b>Construction Class</b>	C - Masonry	<b>Corner/Interior</b>	Corner
<b>Year Built</b>	1936	<b>Flood Hazard Zone</b>	Zone X - Outside 100 and 500 year floodplains
<b>Occupancy Type</b>	Vacant	<b>Zoning Jurisdiction</b>	City of Philadelphia
<b>Tenancy</b>	Single-Tenant	<b>Zoning Code</b>	IRMX
<b>Parking Conforms</b>	Yes		

**Physical Indicators**

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<b>\$/SF GBA</b>	\$5.18	<b>Occupancy</b>	0%
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**Verification**

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<b>Confirmed With</b>	William Fox, Jr.
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**Remarks**

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Former Bok High School of the School District of Philadelphia sold for \$1.75 million to Scannapiecco Development. The building was converted into live-work space as well as incorporating retail and restaurants.

## COMPARABLE 4



### Property Identification

<b>Property/Sale ID</b>	41332/16817
<b>Property Type</b>	School, University
<b>Current Use</b>	Vacant
<b>Property Name</b>	Fmr. Tyler School of Art
<b>Address</b>	7725 Penrose Avenue
<b>City, State Zip</b>	Elkins Park, Pennsylvania 19027
<b>County</b>	Montgomery
<b>MSA</b>	Philadelphia, PA-NJ
<b>Submarket</b>	Philadelphia Suburban
<b>Latitude/Longitude</b>	40.071692/-75.141467
<b>Tax ID</b>	310022393049, 310022396001, 310022393004, 310001900004, 310001897007, 310012139007

### Transaction Data

<b>Sale Date</b>	03-08-2017	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Closed	<b>Financing</b>	Cash to seller
<b>Grantor</b>	Temple University	<b>Conditions of Sale</b>	Arm's Length
<b>Grantee</b>	Tyler Center, LLC & JYY Holdings, LLC	<b>Sale Price</b>	\$1,200,000

### Property Description

<b>Gross Building SF</b>	162,661	<b>Gross Acres</b>	12.70
<b>No. of Lots</b>	6	<b>Flr. Area Ratio (FAR)</b>	0.30
<b>Building Condition</b>	Poor	<b>Gross Land to Bldg.</b>	3.28
<b>Building Quality</b>	Average	<b>Access</b>	Average
<b>Year Built</b>	1920-1973	<b>Visibility</b>	Average
<b>Occupancy Type</b>	Owner	<b>Corner/Interior</b>	Corner
<b>Tenancy</b>	Single-Tenant	<b>Flood Hazard Zone</b>	Zone X
<b>Parking Spaces</b>	225	<b>Zoning Jurisdiction</b>	Cheltenham Township
<b>Pkg/1,000 SF GBA</b>	1.38	<b>Zoning Code</b>	R2 and R5



**Physical Indicators**

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<b>\$/SF GBA</b>	\$7.38	<b>Occupancy</b>	0%
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**Verification**

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<b>Confirmed With</b>	Deed, Public Records, Grantor
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**Remarks**

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This is the sale of Temple University's former Tyler School of Art. The facility has been vacant since Temple relocated the art school to a new facility in 2009.

## COMPARABLE 5



### Property Identification

<b>Property/Sale ID</b>	41397/16874
<b>Property Type</b>	School, University Classroom Building
<b>Current Use</b>	Vacant - Former School
<b>Property Name</b>	Fmr. Vaux School
<b>Address</b>	2300 W. Master Street
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19121
<b>MSA</b>	Philadelphia, PA-NJ
<b>Latitude/Longitude</b>	39.976282/-75.174260
<b>Tax ID</b>	78-2322400

### Transaction Data

<b>Sale Date</b>	05-18-2017	<b>Property Rights</b>	Corp
<b>Sale Status</b>	Closed	<b>Financing</b>	Fee Simple
<b>Grantor</b>	School District of Philadelphia	<b>Conditions of Sale</b>	Cash to seller
<b>Grantee</b>	Philadelphia Housing Authority Development	<b>Deed Book/Page</b>	Arm's Length
		<b>Sale Price</b>	53216849
			\$2,000,000

### Property Description

<b>Gross Building SF</b>	216,300	<b>Sprinklers</b>	Wet system
<b>No. of Lots</b>	1	<b>Parking Conforms</b>	Yes
<b>Stories</b>	4	<b>Parking Spaces</b>	15
<b>Building Condition</b>	Average	<b>Pkg/1,000 SF GBA</b>	0.07
<b>Building Quality</b>	Good	<b>Gross Acres</b>	2.19
<b>Construction Class</b>	C - Masonry	<b>Flr. Area Ratio (FAR)</b>	2.27
<b>Year Built</b>	1936	<b>Gross Land to Bldg.</b>	0.44
<b>Occupancy Type</b>	Vacant	<b>Access</b>	Average
<b>Tenancy</b>	Single-Tenant	<b>Visibility</b>	Very Good
<b>Elevators</b>	3	<b>Corner/Interior</b>	Double Corner



<b>Flood Hazard Zone</b>	Zone X - Outside 100 and 500 year floodplains	<b>Zoning Jurisdiction</b>	City of Philadelphia
<b>Land Use Desig.</b>	Mixed Use	<b>Zoning Code</b>	I-2, RM-1, CMX-2

#### Physical Indicators

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<b>\$/SF GBA</b>	\$9.25	<b>Occupancy</b>	0%
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#### Verification

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<b>Confirmed With</b>	Deed, Public Records, Press Releases
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#### Remarks

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This is the sale of the former Vaux School to the Philadelphia Housing Authority. The facility is being used as the Big Picture High Charter School.

## COMPARABLE 6



### Property Identification

<b>Property/Sale ID</b>	45654/20747
<b>Property Type</b>	School, University
<b>Property Name</b>	Fmr. Ada Lewis Middle School
<b>Address</b>	6199 Ardleigh St aka 1102-96 E. Tulpehocken St
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19138
<b>MSA</b>	Philadelphia, PA-NJ
<b>Submarket</b>	Philadelphia - Non-CBD
<b>Latitude/Longitude</b>	40.053995/-75.167565
<b>Tax ID</b>	784453600

### Transaction Data

<b>Sale Status</b>	Listing	<b>Property Rights</b>	Fee Simple
<b>Grantor</b>	School District of Philadelphia	<b>Listing Price</b>	\$2,500,000

### Property Description

<b>Gross Building SF</b>	187,000	<b>Flr. Area Ratio (FAR)</b>	0.58
<b>No. of Units</b>	1	<b>Gross Land to Bldg.</b>	1.72
<b>No. of Lots</b>	1	<b>Density (Units/Acre)</b>	0.14
<b>Stories</b>	3	<b>Access</b>	Average
<b>Building Condition</b>	Fair to Average	<b>Visibility</b>	Average
<b>Building Quality</b>	Average	<b>Corner/Interior</b>	Mid-Block
<b>Construction Class</b>	C - Masonry	<b>Flood Hazard Zone</b>	Zone X - Outside 100 and 500 year floodplains
<b>Year Built</b>	1970s	<b>Zoning Jurisdiction</b>	City of Philadelphia
<b>Occupancy Type</b>	Vacant	<b>Zoning Code</b>	RSD-3
<b>Tenancy</b>	Single-Tenant		
<b>Gross Acres</b>	7.39		

**Physical Indicators**

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<b>\$/SF GBA</b>	\$13.37	<b>Occupancy</b>	0%
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**Verification**

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<b>Confirmed With</b>	Listing Broker
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**Remarks**

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Listing broker anticipates the property to sell close to list. He felt community involvement would ultimately drive the repurposed use. The community is very active in speaking out about potential development.



## Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment to the comparable was applied if inferior. A summary of the elements of comparison follows.

### Transaction Adjustments

Transaction adjustments include: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

### Real Property Rights Conveyed

In the case of the subject property, the fee simple interest is considered. All of the sale comparables conveyed the fee simple interest as well, no adjustments were required.

### Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms. All of the comparable sales involved typical market terms by which sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

### Conditions of Sale

Atypical conditions of sale may result in a price that is higher or lower than a normal transaction. Such atypical conditions of sale often occur in conjunction with sales between related parties or those in which one of the parties is atypically motivated to complete the transaction. Additionally, a downward adjustment may be applied to a listing price, which usually reflects the upper limit of value.

- Sale 1: no adjustment was warranted.
- Sale 2: no adjustment was warranted.
- Sale 3: no adjustment was warranted.
- Sale 4: no adjustment was warranted.
- Sale 5: no adjustment was warranted.
- Sale 6: A downward adjustment was warranted as this is a listing.

### Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, costs to remediate environmental contamination and/or costs to occupy or stabilize the property. The relevant figure is not the actual cost incurred, but the cost anticipated by both the

buyer and seller. The parties to the sale comparables did not anticipate expenditures immediately after purchase; no adjustments were required.

### Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

Discussions with market participants and a review of market data indicated overall market conditions for similar properties have been improving with recent transactions confirming this trend. As such, we applied an adjustment to each comparable based on a factor of 2.50% per year.

### Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion will analyze each adjustment category deemed applicable to the subject property.

#### Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner- versus interior-lot location, neighboring properties, view amenities, and other factors.

The subject property is located along N. 46th Street with above average access and very good visibility.

Sale 1: no adjustment was warranted.

Sale 2: no adjustment was warranted.

Sale 3: no adjustment was warranted.

Sale 4: a downward adjustment was warranted as this property is located in an area with higher redevelopment potential.

Sale 5: no adjustment was warranted.

Sale 6: a downward adjustment was warranted as this property is located in an area with higher redevelopment potential.

#### Size

The size adjustment addresses variance in the gross building area of the comparables and that of the subject, as a larger building typically commands a lower sale price per unit than a smaller building. This inverse relationship is due, in part, to the principle of "economies of scale."

The subject property consists of 325,000 square feet of gross building area. The improved sales range in size from 162,661 to 382,444 and required size adjustments. We applied an adjustment factor of approximately 5% per doubling to each sale, which resulted in total adjustments ranging from -5.0% to 1.0%.

#### Age/Condition

All else being equal, older properties typically command a lower price per square foot than newer properties. However, although a property may be physically older than another property, the effective age may be similar to a newer property and no adjustment may be indicated. This may be due to the older property being well maintained or a recent renovation.

The subject and all of the comparable sales were institutional properties. These properties were purchased for a change in use which requires significant renovation. With the exception of sale 2 which was already in a shell condition suitable for redevelopment, all comparables were adjusted upward to reflect to costs associated with preparing the properties for renovation and changes in use.

#### Land-to-Building Ratio

The subject property has a reported total site area of 13.00 acres. We have concluded that 7.463 acres is needed to support the existing improvements and 5.537 acres is excess and could be independently developed. Adjustments were based on the land area of 7.463 which gives the subject property a land-to-building ratio of 1.00-to-1. We will address the value of the excess land in the following section. Comparables Sales had land-to-building ratios ranging from 0.44-to-1 to 3.28-to-1. Sales with lower land-to-building ratios were adjusted up and sales with higher land-to-building ratios were adjusted down.

## Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

### COMPARABLE SALES ADJUSTMENT GRID

Subject		Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6
Sale ID		14520	14807	10518	16817	16874	20747
Date of Value & Sale	June-18	January-15	February-15	July-15	March-17	May-17	N/A
Property Name	Fmr. Provident Mutual Life Insurance Co. Headquarters Building	Fmr. Medical College of PA	Fmr. West Philadelphia High School	Fmr. Edward W. Bok Technical High School	Fmr. Tyler School of Art	Fmr. Vaux School	Fmr. Ada Lewis Middle School
Gross Building Area	325,000 sf	322,262	382,444	338,000	162,661	216,300	187,000
Land Area (acres)	7.4630	13.8666	4.0265	2.2436	12.7000	2.1869	7.3937
Unadjusted Sales Price		\$2,100,000	\$5,100,000	\$1,750,000	\$1,200,000	\$2,000,000	\$2,500,000
<b>Unadjusted Sales Price PSF of GBA</b>		<b>\$6.52</b>	<b>\$13.34</b>	<b>\$5.18</b>	<b>\$7.38</b>	<b>\$9.25</b>	<b>\$13.37</b>
<b>Transactional Adjustments</b>							
<b>Property Rights Conveyed</b>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjusted Sales Price		\$6.52	\$13.34	\$5.18	\$7.38	\$9.25	\$13.37
<b>Financing Terms</b>	<i>Cash to Seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>
Adjusted Sales Price		\$6.52	\$13.34	\$5.18	\$7.38	\$9.25	\$13.37
<b>Conditions of Sale</b>	<i>Typical</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Offered</i>
Adjustment		-	-	-	-	-	-5.0%
Adjusted Sales Price		\$6.52	\$13.34	\$5.18	\$7.38	\$9.25	\$12.70
<b>Expenditures after Sale</b>							
Adjustment		-	-	-	-	-	-
<b>Adjusted Sales Price</b>		<b>\$6.52</b>	<b>\$13.34</b>	<b>\$5.18</b>	<b>\$7.38</b>	<b>\$9.25</b>	<b>\$12.70</b>
<b>Market Conditions Adjustments</b>							
<b>Elapsed Time from Date of Value</b>		3.41 years	3.28 years	2.91 years	1.23 years	1.04 years	0.00 years
Market Trend Through	June-18	8.5%	8.2%	7.3%	3.1%	2.6%	-
<b>Analyzed Sales Price</b>		<b>\$7.07</b>	<b>\$14.43</b>	<b>\$5.55</b>	<b>\$7.60</b>	<b>\$9.49</b>	<b>\$12.70</b>
<b>Property Adjustments</b>							
<b>Location</b>	4601 Market Street Philadelphia, Pennsylvan	3232 Henry Avenue Philadelphia, Pennsylvania	4700 Walnut Street Philadelphia, Pennsylvania	1901 S. 9th Street Philadelphia, Pennsylvania	7725 Penrose Avenue Elkins Park, Pennsylvania	2300 W. Master Street Philadelphia, Pennsylvania	6199 Ardleigh St aka 1102-96 E. Tulpehocken St Philadelphia, Pennsylvania
Adjustment		-	-	-	-10.0%	-	-10.0%
<b>Size</b>	325,000 sf	322,262 sf	382,444 sf	338,000 sf	162,661 sf	216,300 sf	187,000 sf
Adjustment		-	1.0%	-	-5.0%	-3.0%	-4.0%
<b>Age/Condition</b>	Year Built 1928 Condition Shell	1950's Fair	1911 Shell	1936 Fair	1920-1973 Poor	1936 Average	1970s Fair to Average
Adjustment		212.1%	-	270.1%	197.2%	158.1%	118.1%
<b>Land-to-Building Ratio</b>	1.00-to-1	1.87-to-1	0.46-to-1	0.29-to-1	3.28-to-1	0.44-to-1	1.72-to-1
Adjustment		-10.0%	10.0%	15.0%	-20.0%	10.0%	-10.0%
Net Physical Adjustment		202.1%	11.0%	285.1%	162.2%	165.1%	94.1%
<b>Adjusted Sales Price PSF of GBA</b>		<b>\$21.37</b>	<b>\$16.02</b>	<b>\$21.39</b>	<b>\$19.94</b>	<b>\$25.15</b>	<b>\$24.65</b>

## Sales Comparison Approach Value Indication - Building and Supporting Land

From the market data available, we used vacant institutional sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted sale prices:

### Improved Sales Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sale Price per Sq. Ft.	\$5.18	\$5.55	\$19.94
Maximum Sale Price per Sq. Ft.	\$13.37	\$14.43	\$31.02
Median Sale Price per Sq. Ft.	\$8.31	\$8.55	\$23.02
Mean Sale Price per Sq. Ft.	\$9.17	\$9.47	\$23.92

Based on the adjusted prices, a unit value for the subject property is near the middle of the adjusted range, or \$25.00 per square foot. This indicated a preliminary as is fee simple market value indication of \$8,125,000.

## As Is Fee Simple Market Value Indication - Building and Supporting Land

Based on this analysis, the sales comparison indication is summarized as follows:

### Improved Sales Comparison Approach Value Indication

#### Reasonable Adjusted Comparable Range

325,000 sf	x	\$22.50	=	\$7,312,500
325,000 sf	x	\$27.50	=	\$8,937,500

#### Preliminary Fee Simple Value Indication- Building and Supporting Land

325,000 sf	x	<b>\$25.00</b>	=	<b>\$8,125,000</b>
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# Land Valuation - Excess Land

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## Methodology

Site Value is most often estimated using the sales comparison approach. This approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on the principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

The process of developing the sales comparison approach consists of the following analyses: (1) researching and verifying transactional data, (2) selecting relevant units of comparison, (3) analyzing and adjusting the comparable sales for differences in various elements of comparison, and (4) reconciling the adjusted sales into a value indication for the subject site.

## Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is per usable square foot.

## Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location and (7) physical characteristics.

## Comparable Sales Data

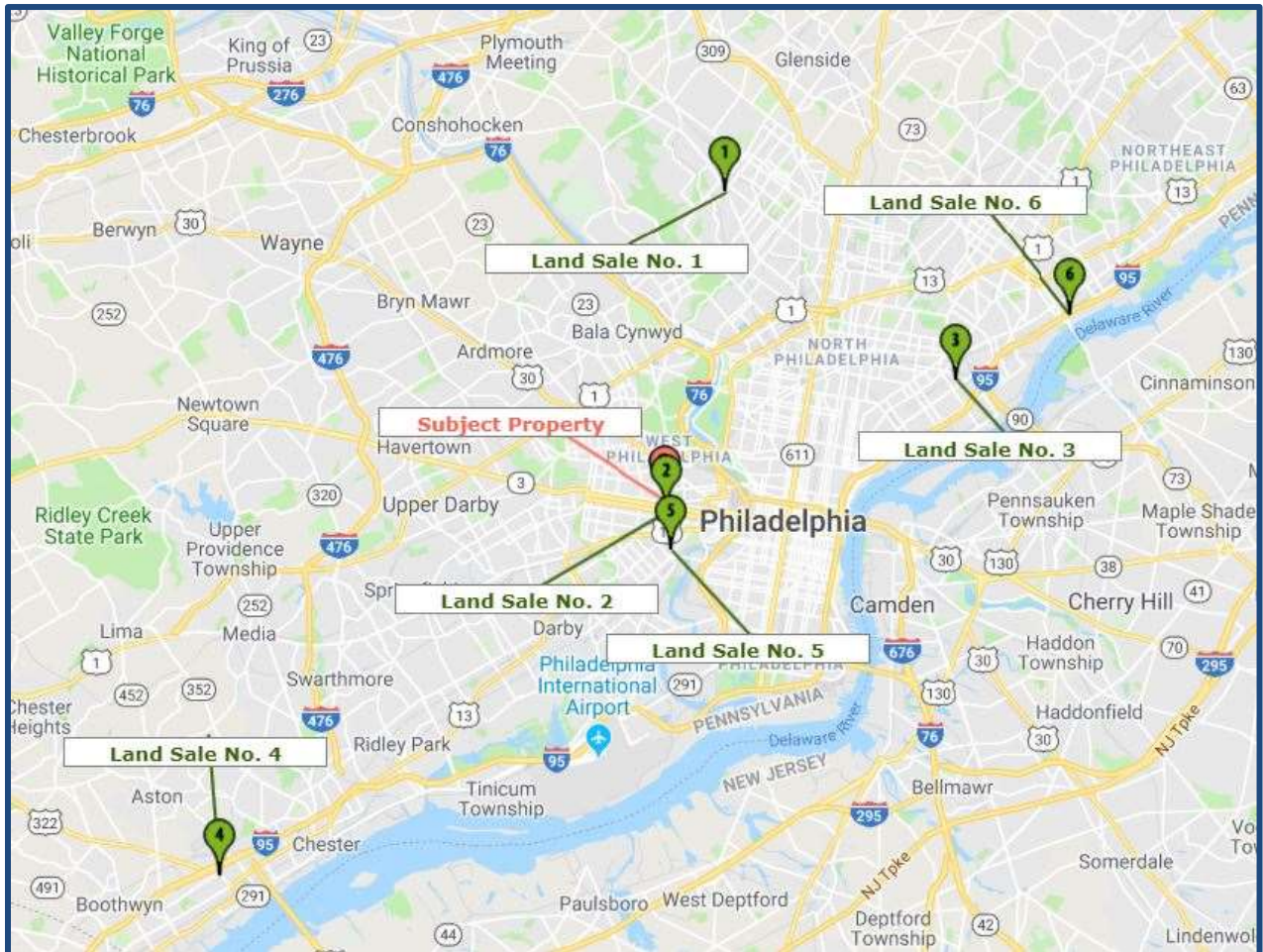
To obtain and verify comparable sales of vacant land properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, and a review of our internal database.

We included six sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. The selection of comparable sales was complicated by the fact that there have been few if any large land sales north of Market Street in the vicinity of the subject. While there are sales in University City which are geographically proximate, they are affected by market forces not currently impacting the subject's area. The excess land was assumed to be developable into four lots. The comparables were adjusted for a 60,298 square foot lot.

The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.

**Land Sales Summary**

Comp. No.	Date of Sale	Usable Sq. Ft.	Location		Zoning	Sales Price		Per Sq. Ft.
						Actual		
1	October-15	65,340	7048 Germantown Avenue	Philadelphia, Pennsylvania	CA-2	\$1,200,000		\$18.37
2	December-15	17,313	4611,4613,4619,4621 & 4612-20 Sansom Street	Philadelphia, Pennsylvania	RM-1	\$229,500		\$13.26
3	May-16	170,695	2270 and 2300 E. Butler Street	Philadelphia, Pennsylvania	CA-2	\$2,882,300		\$16.89
4	May-16	478,842	1500 Highland Avenue	Chester, Pennsylvania	C-2/R	\$2,300,000		\$4.80
5	June-16	58,464	1242 S. 47th Street	Philadelphia, Pennsylvania	CMX-2, and ICMX	\$2,697,000		\$46.13
6	December-16	826,116	6501 New State Road	Philadelphia, Pennsylvania	ICMX	\$4,200,000		\$5.08

**COMPARABLE SALES MAP**


## LAND COMPARABLE 1



### Property Identification

<b>Property/Sale ID</b>	40848/16368
<b>Property Type</b>	Commercial
<b>Address</b>	7048 Germantown Avenue
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19119
<b>MSA</b>	Philadelphia, PA-NJ
<b>Latitude/Longitude</b>	40.057494/-75.189532
<b>Tax ID</b>	882964320

### Transaction Data

<b>Sale Date</b>	10-30-2015	<b>Financing</b>	Cash to seller
<b>Sale Status</b>	Closed	<b>Conditions of Sale</b>	Arm's Length
<b>Grantor</b>	Is Germantown LLC	<b>Deed Book/Page</b>	52983867
<b>Grantee</b>	7048 Germantown, LP	<b>Sale Price</b>	\$1,200,000
<b>Property Rights</b>	Fee Simple		

### Property Description

<b>Gross Acres</b>	1.50	<b>Corner/Interior</b>	Interior
<b>Gross SF</b>	65,340	<b>Shape</b>	Rectangle
<b>Front Feet</b>	152.00	<b>Topography</b>	Generally level to sloping
<b>No. of Lots</b>	1	<b>Utilities</b>	All public present and available
<b>No. of Units</b>	32	<b>Drainage</b>	Appears adequate
<b>Density (Units/Ac)</b>	21.33	<b>Flood Hazard Zone</b>	Zone X
<b>Proposed Use</b>	Multi-family	<b>Zoning Jurisdiction</b>	Philadelphia
<b>Street Access</b>	Average	<b>Zoning Code</b>	CA-2
<b>Rail Access</b>	No	<b>Zoning Description</b>	Auto Oriented Commercial
<b>Water/Port Access</b>	No		
<b>Visibility</b>	Average		

**Indicators**

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<b>\$/Gross Acre</b>	\$800,000	<b>\$/Gross SF</b>	\$18.37
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**Verification**

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<b>Confirmed With</b>	Public records, Deed, City Documents, Permits and Licenses
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**Remarks**

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The property was proposed for multifamily. Development never started on the project. The property was approved for a 32 unit development. Though the land was originally approved and sold for use as apartments, the developer changed course and started to develop townhouses in early 2017. The property is in between the historic neighborhoods of Germantown and Chestnut Hill. The property is approximately 1,400 feet from the Allen Lane Train Station on the Chestnut Hill West Line.



## LAND COMPARABLE 2



### Property Identification

<b>Property/Sale ID</b>	45709/20797
<b>Property Type</b>	Multi-Family
<b>Property Name</b>	U City Flats
<b>Address</b>	4611,4613,4619,4621 & 4612-20 Sansom Street
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19139
<b>MSA</b>	Philadelphia, PA-NJ
<b>Latitude/Longitude</b>	39.956114/-75.214102
<b>Tax ID</b>	601023350, 601032200, 601023400, 601032300, 601032400, 601032500, 601023750, 601032600, 601023850

### Transaction Data

<b>Sale Date</b>	12-30-2015	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Closed	<b>Financing</b>	Cash to seller
<b>Grantor</b>	Philadelphia Redevelopment Authority	<b>Conditions of Sale</b>	Arm's Length
<b>Grantee</b>	Sansom Street Development, LP	<b>Deed Book/Page</b>	5308339
		<b>Sale Price</b>	\$229,500

### Property Description

<b>Gross Acres</b>	0.40	<b>Shape</b>	Rectangle
<b>Gross SF</b>	17,313	<b>Topography</b>	Level
<b>Front Feet</b>	180.00	<b>Utilities</b>	All Available
<b>Depth</b>	96.00	<b>Drainage</b>	Assumed adequate
<b>No. of Lots</b>	5	<b>Flood Hazard Zone</b>	Zone X - Outside 100 and 500 year floodplains
<b>Proposed Use</b>	Apartments	<b>Zoning Jurisdiction</b>	City of Philadelphia
<b>Street Access</b>	Average	<b>Zoning Code</b>	RM-1
<b>Visibility</b>	Average	<b>Zoning Description</b>	Residential Multi Family - 1
<b>Corner/Interior</b>	Corner		



**Indicators**

<b>\$/Gross Acre</b>	\$577,417	<b>\$/Gross SF</b>	\$13.26
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**Verification**

<b>Confirmed With</b>	Deed, Public Records
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**Remarks**

This is the sale of multiple parcels of land on the north and south sides of Sansom Street to the east of Farragut Street. The buyer already owned two small parcels on the north side of Sansom, and with this purchase the buyer developed what became U City Flats apartments.

### LAND COMPARABLE 3



#### Property Identification

<b>Property/Sale ID</b>	42067/17488
<b>Property Type</b>	Retail
<b>Property Name</b>	Lidl Site
<b>Address</b>	2270 and 2300 E. Butler Street
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19137
<b>MSA</b>	Philadelphia, PA-NJ
<b>Latitude/Longitude</b>	39.997518/-75.093537
<b>Tax ID</b>	88-4840200, 88-4194510

#### Transaction Data

<b>Sale Date</b>	05-23-2016	<b>Conditions of Sale</b>	Arm's Length
<b>Sale Status</b>	Closed	<b>Deed Book/Page</b>	53065996
<b>Grantor</b>	Lipoff Associates / Penn Packing Company	<b>Days on Market</b>	1000
<b>Grantee</b>	LIDL US Operations, LLC	<b>Sale Price</b>	\$2,882,300
<b>Property Rights</b>	Fee Simple	<b>Post Sale Expenses</b>	\$261,000
<b>Financing</b>	Cash to seller	<b>Adjusted Price</b>	\$3,143,300

#### Property Description

<b>Gross Acres</b>	3.92	<b>Corner/Interior Shape</b>	Mid-Block Mostly rectangular
<b>Gross SF</b>	170,695	<b>Topography</b>	Level and at street grade
<b>Front Feet</b>	1,118.00	<b>Utilities</b>	Assumed present and adequate
<b>No. of Lots</b>	1	<b>Drainage</b>	Appears adequate
<b>Proposed Use</b>	Retail Development	<b>Flood Hazard Zone</b>	Zone X
<b>Proposed Bldg. SF</b>	111,971	<b>Zoning Jurisdiction</b>	Philadelphia
<b>Street Access</b>	Good	<b>Zoning Code</b>	CA-2
<b>Rail Access</b>	No	<b>Zoning Description</b>	Auto-Oriented Commercial
<b>Visibility</b>	Good		

**Indicators**

<b>\$/Gross Acre</b>	\$802,145	<b>\$/Gross SF</b>	\$18.41
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**Verification**

<b>Confirmed With</b>	Listing Broker, Deeds, Public Records,
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**Remarks**

The site is known as the Aramingo Development Site. The site is located in close proximity to a Walmart, Lowes, Target and Home Depot. This is a neighborhood with active retail growth.

This was a sale of two adjoining parcels belonging to two different owners to Lidl for future construction of a supermarket. 2270 E. Butler Street measures 83,288 SF and was improved with a 10,000+/- SF warehouse. 2300 E. Butler Street measures 87,406 SF and had improvements measuring 77,000+/- SF per public records. Per a conversation with the listing broker, the original sale price for both parcels was \$3,200,000 but due to the amount of demolition required, the final sale price was lowered to the recorded price of \$2,882,300. The site was subject to environmental clean-up that was handled by the seller.

## LAND COMPARABLE 4



### Property Identification

<b>Property/Sale ID</b>	39898/15527
<b>Property Type</b>	Office Land
<b>Property Name</b>	Chester Charter School for the Arts
<b>Address</b>	1500 Highland Avenue
<b>City, State Zip</b>	Chester, Pennsylvania 19013
<b>County</b>	Delaware
<b>MSA</b>	Philadelphia, PA-NJ
<b>Submarket</b>	Delaware County
<b>Latitude/Longitude</b>	39.839452/-75.400077
<b>Tax ID</b>	49-11-01659-00

### Transaction Data

<b>Sale Date</b>	05-24-2016	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Closed	<b>Financing</b>	Cash to seller
<b>Grantor</b>	Chester Housing Authority	<b>Conditions of Sale</b>	Arm's Length
<b>Grantee</b>	The Chester Charter School for the Arts	<b>Deed Book/Page</b>	2016027460
		<b>Sale Price</b>	\$2,300,000

### Property Description

<b>Gross Acres</b>	10.99	<b>Utilities</b>	All Available
<b>Gross SF</b>	478,842	<b>Flood Hazard Zone</b>	Zone X - Outside 100 and 500 year floodplains
<b>Street Access</b>	Good	<b>Zoning Jurisdiction</b>	City of Chester
<b>Visibility</b>	Good	<b>Zoning Code</b>	C-2/R
<b>Corner/Interior</b>	Corner	<b>Zoning Description</b>	General Commercial/Residential
<b>Shape</b>	Irregular		
<b>Topography</b>	Level		

**Indicators**

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<b>\$/Gross Acre</b>	\$209,230	<b>\$/Gross SF</b>	\$4.80
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**Verification**

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<b>Confirmed With</b>	Deed, Public Records, Press Releases
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**Remarks**

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This is the sale of subdivided land to a Charter School. Chester Charter School for the Arts was built on this land and opened in 2017.



## LAND COMPARABLE 5



### Property Identification

<b>Property/Sale ID</b>	39926/16956
<b>Property Type</b>	Mixed Use Land
<b>Property Name</b>	Liberty Limo
<b>Address</b>	1242 S. 47th Street
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19143
<b>MSA</b>	Philadelphia, PA-NJ
<b>Latitude/Longitude</b>	39.943558/-75.211395
<b>Tax ID</b>	88-4688800

### Transaction Data

<b>Sale Date</b>	06-10-2016	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Closed	<b>Financing</b>	Cash to seller
<b>Grantor</b>	West Philadelphia Automobile Service, Inc.	<b>Conditions of Sale</b>	Arm's Length
<b>Grantee</b>	University of the Sciences in Philadelphia	<b>Deed Book/Page</b>	Doc ID# 53073258
		<b>Sale Price</b>	\$2,697,000

### Property Description

<b>Gross Acres</b>	1.34	<b>Utilities</b>	All present
<b>Gross SF</b>	58,464	<b>Flood Hazard Zone</b>	Zone X, and area outside of the 100 and 500-year floodplains
<b>Front Feet</b>	152.00	<b>Zoning Jurisdiction</b>	City of Philadelphia
<b>Depth</b>	427.00	<b>Zoning Code</b>	CMX-2, and ICMX
<b>No. of Lots</b>	1	<b>Zoning Description</b>	Neighborhood Commercial Mixed Use/Industrial Commercial Mixed Use
<b>Street Access</b>	Average		
<b>Visibility</b>	Good		
<b>Corner/Interior</b>	Mid-Block		
<b>Shape</b>	Mostly rectangular		
<b>Topography</b>	Level		

**Indicators**

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<b>\$/Gross Acre</b>	\$2,009,462	<b>\$/Gross SF</b>	\$46.13
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**Verification**

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<b>Confirmed With</b>	Deed, Public Records, Business Journal
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**Remarks**

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This is the sale of land to the University of the Sciences. This property two blocks from their campus, and they were extremely motivated to acquire expansion ground.

## LAND COMPARABLE 6



### Property Identification

<b>Property/Sale ID</b>	44214/19475
<b>Property Type</b>	Mixed Use Land
<b>Address</b>	6501 New State Road
<b>City, State Zip</b>	Philadelphia, Pennsylvania 19135
<b>MSA</b>	Philadelphia, PA-NJ
<b>Latitude/Longitude</b>	40.018773/-75.045982
<b>Tax ID</b>	77-8636100

### Transaction Data

<b>Sale Date</b>	12-22-2016	<b>Property Rights</b>	Fee Simple
<b>Sale Status</b>	Closed	<b>Financing</b>	Cash to seller
<b>Grantor</b>	First Philadelphia Holdings LLC	<b>Conditions of Sale</b>	Arm's Length
<b>Grantee</b>	Isaac Newton Foundation Inc	<b>Deed Book/Page</b>	53153678
		<b>Sale Price</b>	\$4,200,000

### Property Description

<b>Gross Acres</b>	18.97	<b>Topography</b>	Level
<b>Gross SF</b>	826,116	<b>Utilities</b>	All Available
<b>Front Feet</b>	690.00	<b>Flood Hazard Zone</b>	Zone AE - An area inundated by 100 year flooding
<b>Depth</b>	1,280.00		
<b>No. of Lots</b>	1	<b>Zoning Code</b>	ICMX
<b>Street Access</b>	Good	<b>Zoning Description</b>	Industrial Commercial Mixed Use
<b>Visibility</b>	Good		
<b>Corner/Interior</b>	Mid-Block		
<b>Shape</b>	Mostly rectangular		

### Indicators

<b>\$/Gross Acre</b>	\$221,460	<b>\$/Gross SF</b>	\$5.08
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**Verification**

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**Confirmed With** Deed, Public Records, Press Releases**Remarks**

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The 19 acre site, previously the Dodge steel plant, sold to the Isaac Newton Foundation, which plans to develop a charter school to serve 1,300 students from kindergarten through 12th grade.

## Land Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment was applied if inferior. A summary of the elements of comparison follows.

## Transaction Adjustments

Transaction adjustments include (1) real property rights conveyed, (2) financing terms, (3) conditions of sale and (4) expenditures made immediately after purchase. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

### Real Property Rights Conveyed

Real property rights conveyed influence sale prices and must be considered when analyzing a sale comparable. The appraised value and sale comparables all reflect the fee simple interest with no adjustments required.

### Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms. All of the sale comparables involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

### Conditions of Sale

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value.

Sale 1: no adjustment was warranted.

Sale 2: no adjustment was warranted.

Sale 3: no adjustment was warranted.

Sale 4: no adjustment was warranted.

Sale 5: a downward adjustment was warranted as the buyer was extremely motivated to acquire expansion ground.

Sale 6: no adjustment was warranted.

### Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures required upon purchase of a property, as these costs affect the price the buyer agrees to pay. Such expenditures may include: costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, and/or costs to remediate environmental contamination.



Sale 3: an upward adjustment was warranted to account for demolition costs.

### Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

Discussions with market participants and a review of market data indicated overall market conditions for vacant land properties have been improving with recent transactions confirming this trend. As such, we applied an adjustment to each comparable based on a factor of 2.50% per year.

### Property Adjustments

Property adjustments are usually expressed quantitatively as percentages or dollar amounts that reflect the differences in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after transaction and market conditions adjustments.

Our reasoning for the property adjustments made to each sale comparable follows. The discussion analyzes each adjustment category deemed applicable to the subject property.

#### Location

Location adjustments may be required when the locational characteristics of a comparable property are different from those of the subject property. These include, but are not limited to, general neighborhood characteristics, freeway accessibility, street exposure, corner versus interior lot location, neighboring properties, view amenities, and other factors.

The subject property is located along N. 46th Street with above average access and very good visibility.

Sale 1: a downward adjustment was warranted as this sale is in an area with more development.

Sale 2: no adjustment was warranted.

Sale 3: a downward adjustment was warranted as this sale is in a developed retail corridor.

Sale 4: an upward adjustment was warranted as this sale is in an area seeing less development.

Sale 5: a downward adjustment was warranted as this sale in an area with significantly more development.

Sale 6: and upward adjustment was warranted as this sale is in an area seeing significantly less development.

#### Size

The size adjustment addresses variance in the physical size of the comparables and that of the subject, as a larger parcel typically commands a lower price per unit than a smaller parcel. This inverse relationship is due, in part, to the principle of "economies of scale."

The subject property's excess land consists of 5.537 gross acres (or 241,192 gross square feet). This land is projected to accommodate four lots each of approximately 60,298 square feet. The sales range in size from 17,313 to 826,116 square feet and required size adjustments. We applied an adjustment factor of approximately 5% per doubling to each sale, resulting in total adjustments ranging from -9.0% to 19.0%.

- Sale 1: no adjustment was warranted.  
Sale 2: a downward adjustment of 9.0% was warranted.  
Sale 3: an upward adjustment of 7.0% was warranted.  
Sale 4: an upward adjustment of 15.0% was warranted.  
Sale 5: no adjustment was warranted.  
Sale 6: an upward adjustment of 19.0% was warranted.

#### Shape/Depth

The subject site consists of an irregular-shaped tract with two noncontiguous sites. These sites could and likely would be divided in the smaller development sites. This configuration could increase the cost of development. All of the sales except for Sale 4 were adjusted down for shape/depth. Sale 4 was considered sufficiently similar as to not warrant adjustment.

#### Summary of Adjustments

Presented on the following page is a summary of the adjustments made to the sale comparables. As noted earlier, these quantitative adjustments were based on our market research, best judgment, and experience in the appraisal of similar properties.

### LAND SALES ADJUSTMENT GRID

Subject		Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6
Sale ID		16368	20797	17488	15527	16956	19475
Date of Value & Sale	June-18	October-15	December-15	May-16	May-16	June-16	December-16
Unadjusted Sales Price		\$1,200,000	\$229,500	\$2,882,300	\$2,300,000	\$2,697,000	\$4,200,000
Usable Square Feet	325,088	65,340	17,313	170,695	478,842	58,464	826,116
<b>Unadjusted Sales Price per Usable Sq. Ft.</b>		<b>\$18.37</b>	<b>\$13.26</b>	<b>\$16.89</b>	<b>\$4.80</b>	<b>\$46.13</b>	<b>\$5.08</b>
<b>Transactional Adjustments</b>							
<b>Property Rights Conveyed</b>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>	<i>Fee Simple</i>
Adjusted Sales Price		\$18.37	\$13.26	\$16.89	\$4.80	\$46.13	\$5.08
<b>Financing Terms</b>	<i>Cash to Seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>	<i>Cash to seller</i>
Adjusted Sales Price		\$18.37	\$13.26	\$16.89	\$4.80	\$46.13	\$5.08
<b>Conditions of Sale</b>	<i>Typical</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>	<i>Arm's Length</i>
Adjustment		-	-	-	-	-10.0%	-
Adjusted Sales Price		\$18.37	\$13.26	\$16.89	\$4.80	\$41.52	\$5.08
<b>Expenditures after Sale</b>				\$261,000			
Adjustment		-	-	9.1%	-	-	-
<b>Adjusted Sales Price</b>		<b>\$18.37</b>	<b>\$13.26</b>	<b>\$18.41</b>	<b>\$4.80</b>	<b>\$41.52</b>	<b>\$5.08</b>
<b>Market Conditions Adjustments</b>							
<b>Elapsed Time from Date of Value</b>		2.59 years	2.42 years	2.02 years	2.02 years	1.98 years	1.44 years
Market Trend Through	June-18	6.5%	6.1%	5.1%	5.1%	4.9%	3.6%
<b>Analyzed Sales Price</b>		<b>\$19.55</b>	<b>\$14.06</b>	<b>\$19.35</b>	<b>\$5.05</b>	<b>\$43.57</b>	<b>\$5.27</b>
<b>Physical Adjustments</b>							
<b>Location</b>	4601 Market Street Philadelphia, Pennsylvania	7048 Germantown Avenue Philadelphia, Pennsylvania	4611,4613,4619,4621 & 4612-20 Sansom Street Philadelphia, Pennsylvania	2270 and 2300 E. Butler Street Philadelphia, Pennsylvania	1500 Highland Avenue Chester, Pennsylvania	1242 S. 47th Street Philadelphia, Pennsylvania	6501 New State Road Philadelphia, Pennsylvania
Adjustment		-10.0%	-	-15.0%	20.0%	-20.0%	20.0%
<b>Size</b>	60,298	65,340 sf	17,313 sf	170,695 sf	478,842 sf	58,464 sf	826,116 sf
Adjustment		-	-9.0%	7.0%	15.0%	-	19.0%
<b>Shape/Depth</b>	<i>Irregular</i>	<i>Rectangle</i>	<i>Rectangle</i>	<i>Mostly rectangular</i>	<i>Irregular</i>	<i>Mostly rectangular</i>	<i>Mostly rectangular</i>
Adjustment		-5.0%	-5.0%	-5.0%	-	-5.0%	-5.0%
Net Physical Adjustment		-15.0%	-14.0%	-13.0%	35.0%	-25.0%	34.0%
<b>Adjusted Sales Price per Usable Square Foot</b>		<b>\$16.62</b>	<b>\$12.09</b>	<b>\$16.83</b>	<b>\$6.81</b>	<b>\$32.68</b>	<b>\$7.06</b>

## Conclusion - Excess Land

From the market data available, we used six land sales in competitive market areas which were adjusted based on pertinent elements of comparison. The following table summarizes the unadjusted and adjusted unit prices:

### Land Sale Statistics

Metric	Unadjusted	Analyzed	Adjusted
Minimum Sales Price per Usable Square Foot	\$4.80	\$5.05	\$6.81
Maximum Sales Price per Usable Square Foot	\$46.13	\$43.57	\$32.68
Median Sales Price per Usable Square Foot	\$15.07	\$16.70	\$14.36
Mean Sales Price per Usable Square Foot	\$17.42	\$17.81	\$15.35

Based on the adjusted prices a unit value for the subject property is near the middle of the adjusted range, or \$15.00 per usable square foot. This indicates a preliminary market value of \$904,469 per lot.

Based on this analysis, the excess land value indication is summarized as follows:

### Excess Land Value Indications

Reasonable Adjusted Comparable Range				
60,298 square feet	x	\$12.00 psf	=	\$723,575
60,298 square feet	x	\$17.00 psf	=	\$1,025,065
<b>Retail Lot Value</b>				
60,298 square feet	x	<b>\$15.00 psf</b>	=	<b>\$904,469</b>
Four Projected Lots - Undiscounted				\$3,617,876
Bulk Discount		25.00%		<b>\$904,469</b>
Selling Expense		7.01%		<b>\$253,432</b>
Entrepreneurial Profit		15.00%		<b>\$542,681</b>
				<b>\$1,917,293</b>

<b>Excess Land - Market Value Opinion (Rounded)</b>	=	<b>\$1,900,000</b>
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We have projected that four lots would be created with a combined retail value after repositioning of the main building of \$3,617,876. Under current market conditions, we believe all of the ground would be sold to the redeveloper of the main building. This developer would require a bulk purchase discount which we have estimated at 25%. They would also account for outside expense and require entrepreneurial profit which we have estimated at 7.01% and 15% respectively.

After accounting for discounts associated with the bulk purchase, it is our opinion that the contributory value of the excess ground is \$1,900,000.

## Sale Comparison Approach - Conclusion

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### As Is Fee Simple Market Value Indication

As previously discussed the subject property was initially valued assuming a primary site area of 7.463 acres supporting the existing 325,000 square foot main building which concluded a preliminary value of \$8,125,000. To our preliminary value indication we added the value of the excess ground which was determined to be \$1,900,000. The value of the excess ground reflects its contribution to the assemblage and no further discount was necessary.

Based on this analysis, the sales comparison indication for the entire property is summarized as follows:

#### Improved Sales Comparison Approach Value Indication

**Preliminary Fee Simple Value Indication- Building and Supporting Land**

325,000 sf	x	\$25.00	=	\$8,125,000
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Plus Excess Land Value:				\$1,900,000
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<b>As Is Fee Simple Market Value Indication</b>				<b>\$10,025,000</b>
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<b>Rounded</b>				<b>\$10,000,000</b>
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# Income Capitalization Approach

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## Methodology

The income capitalization approach is developed by converting a projection of future installments of income into a present value by a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are therefore important aspects of the valuation process. The steps in developing the income approach are as follows: Market Rent Analysis, Income Analysis, Vacancy Analysis, Expense Analysis, and Rate Analysis.

## Application of Methodology

We have developed the Subdivision Development Method or "Developer's Approach". This is defined as:

*"A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from the estimate of the anticipated gross sales price of the finished lots; the resultant net sales proceeds are then discounted to present value at a market derived rate over the development and absorption period to indicate the value of the raw land."*

We believe that the Developer's Approach would most likely be employed by potential purchasers of the subject property. We utilized the Developer's Approach (Income Capitalization Approach) in our valuation of the property as of the valuation date.

We have projected the excess land could be developed into four lots with each lot being large enough for its own development and selling the tracts together limits the number of able buyers due to the long absorption period and variety of uses. In valuing the property using the developer's approach, we considered the value of all tracts stand-alone and discounted the value of each tract until each tract can be subdivided and sold.

A summary chart for the Developer's Approach for the property will be presented at the end of this analysis.



## Value by Developer's Approach

We previously developed an opinion of value for each lot. The value for each lot is based on sales of other similar properties as discussed in the preceding section.

It is our opinion that the primary motivating factor of a purchaser would be the redevelopment potential of the main building. In the prior section, we concluded the value of the main building to be \$8,125,000.

After successful repositioning of the main building, we believe that the excess ground could be sold over time. We have projected a lot price of \$900,000

In our analysis, our opinion of value for the lots was increased at 2.0% annually until the projected sale date for each lot. We have projected all lots to sell by June 30, 2023.

## Approvals

The subject property's zoning allows for a variety of development options. We have assumed approvals will be received for each lot as long as the maximum density and impervious coverage limits are not exceeded.

## Projected Expenses

Having projected the selling price per lot, we made deductions for the time and costs required to create, market and sell the lots. Expenses include selling and marketing expenses, transfer taxes, and developer's profit.

Selling expenses were estimated to be 5.0%, and transfer taxes were estimated at 2.05%

The projected expenses were subtracted from the projected sales price at each projected lot sale indicating the net cash flows which we will discount to a present value.

## Discount Rate

The cash flows were then discounted at the appropriate discount rate to indicate the value of the excess land via the Developer's Approach.

Based on the information from the following PricewaterhouseCoopers (PwC) survey and the high level of risk, we used a 20% discount rate, which is in the upper of the range of the survey. The discount rate includes developer's profit. The subject is in a location that is not seeing much development, and the site and building constraints previously discussed create significant risk for a potential buyer.

NATIONAL DEVELOPMENT LAND MARKET—SELECT SURVEY RESPONSES									
Second Quarter 2018									
	PROPERTY TYPES	PREFERRED ABSORPTION	CHANGE RATES		MARKET CONDITIONS	DISCOUNT RATE (IRR)		FORECAST VALUE CHANGE NEXT 12 MONTHS	MARKETING PERIOD
		YEARS	LOT PRICES	DEVELOPMENT COSTS (\$)	FAVOR	FREE & CLEAR	DEVELOPERS' PROFIT	RANGE	MONTHS
<b>DEVELOPER</b> Primary method of pricing is comparable sales; analysis is prepared subject to financing; project size ranges from 300 to 2000 acres; value of land currently under development ranges from \$200.0 million to \$1.0 billion; development is concentrated in Hawaii, California, Mexico, Montana, New York, Nevada, Texas, and Tennessee.	Single-family luxury	11 to 20	3.0% to 5.0%	3.0% to 5.0%	Both buyers and sellers equally	16.00% to 20.00%	Included in the discount rate	2.0% to 3.0%	12 to 30
<b>PRIVATE INVESTMENT COMPANY</b> Primary method of pricing is DCF; analysis is prepared free and clear of financing; project size ranges from one to 15 acres; value of land currently under development ranges from \$5.0 to \$10.0 million; prefers Texas markets.	Retail	1 to 5	Did not disclose	% of specific revenue	Buyers	10.00% to 15.00%	Included in the discount rate	(3.0%) to 5.0%	6 to 24
<b>DEVELOPER</b> Primary method of pricing is comparable sales; analysis is prepared free and clear of financing; project size ranges from 5 to 250 acres; value of land currently under development totals between \$25.0 and \$20.0 million; development is concentrated in the Midwest.	Industrial and commercial	Over 20	Did not disclose	% of specific revenue	Buyers	10.00% to 15.00%	Included in the discount rate	(10.0%) to (5.0%)	12 to 24
<b>DEVELOPER</b> Primary method of pricing is DCF; analysis is prepared free and clear of financing; project size ranges from 1 to 1200 acres; development is concentrated in Arizona, California, Alaska, and Washington; value of land currently under development ranges from \$155.0 to \$165.0 million.	Apartment, single-family residential, and industrial	6 to 10	4.0% to 6.0%	4.0% to 6.0%	Sellers	14.00% to 18.00%	Included in the discount rate	6.0% to 10.0%	8 to 12
<b>DEVELOPER</b> Primary method of pricing is comparable sales; analysis is prepared free and clear of financing; value of land currently under development is up to \$100.0 million; development is concentrated in Arizona, California, and Hawaii.	Single-family residential	6 to 10	2.0% to 3.0%	3.0% to 4.0%	Buyers	16.00% to 18.00%	Included in the discount rate	3.0%	15

Source: Personal survey conducted by PwC during April 2018; (1) If a % is given it reflects the compound annual rate of growth applied to a specific dollar amount.

## Discounted Cash Flow Analysis

The following chart summarizes our discounted cash flow analysis for the subject property as of September 1, 2018.

Discounted Cash Flow Analysis		Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Annual Discount Rate	20.00%																				
Quarterly Discount Rate	5.00%																				
Annual Escalation Rate	2.00%																				
Quarterly Escalation Rate	0.50%																				
Selling Expense	5.00%																				
Transfer Tax	2.05%																				
Lot Value		\$900,000	\$904,500	\$909,023	\$913,508	\$918,135	\$922,720	\$927,340	\$931,976	\$936,636	\$941,320	\$946,026	\$950,756	\$955,510	\$960,288	\$965,089	\$969,914	\$974,764	\$979,638	\$984,536	\$989,459
No. of Lots	4																				
Lot Sale										\$936,636				\$955,510				\$974,764			\$989,459
Selling Expense										-\$66,033				-\$67,363				-\$68,721			-\$69,757
Net Sale Proceeds		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$870,603	\$0	\$0	\$0	\$888,147	\$0	\$0	\$0	\$906,043	\$0	\$0	\$919,702
Building Value		\$8,125,000																			
Present Value of Excess Ground		\$1,774,131																			
Net Present Value		\$9,899,131																			
<b>Rounded</b>		<b>\$9,900,000</b>																			

The Income Capitalization Approach using the Developer's Approach indicates a value of \$9,899,131, which we have rounded to \$9,900,000.

# Reconciliation

## Summary of Value Indications

The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

### Value Indications

Approach to Value	As Is
Cost	Not Developed
Sales Comparison	\$10,000,000
Income Capitalization	
Yield Capitalization (DCF)	\$9,900,000

### Value Conclusions

Component	As Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	September 6, 2018
<b>Value Conclusion</b>	<b>\$10,000,000</b>
	<b>\$30.77 psf</b>

To reach a final opinion of value, we considered the reliability and relevance of each value indication based upon the quality of the data and applicability of the assumptions underlying each approach. Given the availability and reliability of data within the Sales Comparison Approach, we gave this approach primary weight in arriving at our final value conclusions. Furthermore, properties such as the subject property are typically purchased by buyers who primarily rely upon the methods employed by the Sales Comparison Approach.

## Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 6-12 months and 6-12 months, respectively, are considered reasonable and appropriate for the subject property.

# General Assumptions and Limiting Conditions

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This appraisal is subject to the following general assumptions and limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Lukens and Wolf, LLC will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Lukens and Wolf, LLC is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Lukens and Wolf, LLC and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Lukens and Wolf, LLC.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.



22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Lukens and Wolf, LLC both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Lukens and Wolf, LLC and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Lukens and Wolf, LLC for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Lukens and Wolf, LLC shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Lukens and Wolf, LLC. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Lukens and Wolf, LLC and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Lukens and Wolf, LLC harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Lukens and Wolf, LLC in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Lukens and Wolf, LLC. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

## Certification – Reaves C. Lukens III, MAI, SRA

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I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Reaves C. Lukens III has personally inspected the subject property. Stephanie L. Gaydis performed an exterior only inspection of the subject property.
10. Stephanie L. Gaydis provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Reaves C. Lukens III, MAI, SRA  
Managing Director  
PA Certified General Real Estate Appraiser  
Certification No.: GA-001542-L  
License Expires: June 30, 2019

# Addenda

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Subject Photos

Qualifications

- Reaves C. Lukens III, MAI, SRA - Managing Director

Appraisal Trainee Checklist

- Stephanie Gaydis – Real Estate Analyst

Information on Valbridge Property Advisors

Office Locations

## Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

### Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed

for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

### Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4<sup>th</sup> Ed.)

### Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

### Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

### Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)



### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ( $DCR = NOI/Im$ ), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

### Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

### Easement

The right to use another's land for a stated purpose. (Dictionary)

### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

### Effective Date

The date on which the appraisal or review opinion applies. (SVP)

In a lease document, the date upon which the lease goes into effect. (Dictionary)

### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

### Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

### EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

### Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

### Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the

potential to be sold separately and is valued separately. (Dictionary)

#### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

#### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

#### Exposure Time

The time a property remains on the market.

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal;

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

#### Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

#### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

#### Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

#### Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

#### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

#### Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

#### Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

#### Gross leasable area plus all common areas.

For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

#### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

#### Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

#### Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as

though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values, aggregate retail selling price or sum of the retail values*. (Dictionary)

#### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

#### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

#### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

#### Highest and Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

[The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

#### Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about

conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP)

#### Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

#### Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

#### Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

#### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

#### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

#### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

#### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

#### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

### Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

### Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

### Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

### Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

### Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e.,  $OER = 1 - NIR$  (Dictionary)

### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

### Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

### Prospective Future Value upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed– reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

### Prospective Future Value upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to

the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

### Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

### Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

### Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

### Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

**TPO**

Thermoplastic polyolefin, a resilient synthetic roof covering.

**Triple Net (Net Net Net) Lease**

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease*, *net net net lease*, or *fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

**Usable Area**

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

**Value-in-Use**

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

**VTAB**

Value of the Total Assets of a Business. The value of a going concern (i.e. the business enterprise). (Dictionary)



## Qualifications of Reaves C. Lukens III, MAI, SRA

### Managing Director

Valbridge Property Advisors | Lukens & Wolf, LLC

### *Independent Valuations for a Variable World*

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#### State Certifications

PA State Certified Appraiser  
GA-001542-L  
NJ State Certified Appraiser  
42RG00236000

#### Licenses

PA Real Estate Sales License  
190981-L

#### Education

Masters of Business  
Administration  
Finance Concentration – 1999  
Villanova University

Bachelor of Arts - 1992  
Wheaton College

#### Additional Background

Tredyffrin Township  
Board of Supervisors  
2016-Chairman;  
Planning Commission 2008-  
2015, Chairman 2013-2014

#### Contact Details

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Lukens & Wolf LLC  
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#### Membership/Affiliations:

Member: Appraisal Institute - MAI & SRA Designation  
Counselors of Real Estate – CRE Designation - 2006-2016

2013-Present – Valbridge Property Advisors Board of Directors  
2010-2016 - Admission Designation & Qualifications Committee  
of the Appraisal Institute – Chairman 2013-2016 – Vice Chairman  
2014

2013-2016Present - Member of the Appraisal Institute's Strategic  
Planning Committee  
2012-2017 – Board of Directors Philadelphia Metropolitan  
Chapter of the Appraisal Institute - President 2017  
2014 – Secretary of Philadelphia Metropolitan Chapter of the  
Appraisal Institute  
2012-2013 – Director of the Philadelphia Metropolitan Chapter of  
the Appraisal Institute  
2012 - Chairperson of Delaware Valley Chapter of Counselors of  
Real Estate

#### Experience:

##### **Managing Director**

ValbridgePropertyAdvisors|Lukens & Wolf LLC (2013-Present)

##### **Principal**

Lukens & Wolf LLC (2011-2013)

##### **Real Estate Appraiser**

Reaves C. Lukens Company (1992-2011)

##### **Scope of Appraisal and Counseling Activity**

Experience in a wide range of multi-family, industrial, office, retail,  
hotel and land valuation. Particular concentration in retail and  
industrial properties. Qualified as an Expert Witness in U.S.  
District Court, Federal Bankruptcy Court, and the Common Pleas  
Courts of Bucks, Chester, Delaware and Montgomery Counties. In  
addition testified in hearings before several Board of Revision of  
Taxes.

## Appraisal Trainee Checklist

### PENNSYLVANIA STATE BOARD OF CERTIFIED REAL ESTATE APPRAISERS REQUIRED CHECKLIST FOR LICENSED APPRAISAL TRAINEE

THE BOARD REQUIRES THIS CHECKLIST BE USED WHEN A LICENSED APPRAISAL TRAINEE IS UTILIZED IN THE PERFORMANCE OF AN APPRAISAL. THIS CHECKLIST MUST BE SIGNED BY THE CERTIFIED APPRAISER AND MADE PART OF THE APPRAISAL REPORT THAT IS SUBMITTED TO THE CLIENT AND RETAINED IN THE APPRAISAL WORKFILE.

BY COMPLETING THIS CHECKLIST AND MAKING IT PART OF THE APPRAISAL REPORT SUBMITTED TO THE CLIENT, THE TRAINEE AND SUPERVISOR APPRAISER HAVE MET APPLICABLE USPAP REQUIREMENTS FOR ACKNOWLEDGEMENT AND DISCLOSURE OF SIGNIFICANT REAL PROPERTY APPRAISAL ASSISTANCE.

THE BOARD CANNOT GRANT EXPERIENCE HOURS FOR APPRAISAL ASSIGNMENTS IN WHICH THE LICENSED APPRAISAL TRAINEE IS NOT PROPERLY ACKNOWLEDGED IN THE REPORT.

SUBJECT PROPERTY ADDRESS: 4601 Market Street Philadelphia, PA 19139

The licensed appraisal trainee to the certified real estate appraiser has contributed significant real property appraisal assistance in this appraisal assignment. Specifically, the licensed appraisal trainee:

Yes	No	N/A	
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in the preparation of the workfile with all forms and general information for the appraisal.
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in determining the scope of work of the appraisal.
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in gathering and entering data as follows: tax assessment information and map, flood hazard information and map, zoning information and map, location map and similar information
X	<input type="checkbox"/>	<input type="checkbox"/>	Inspected the subject property. If yes, accompanied by supervisor? <input checked="" type="checkbox"/> (Yes) Type of inspection (check one): <input type="checkbox"/> interior <input checked="" type="checkbox"/> exterior
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in analyzing the highest and best use of the subject property.
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in gathering information for comparable land sales data, verified and analyzed the comparable land sales data.
<input type="checkbox"/>	<input type="checkbox"/>	X	Assisted in gathering data for the cost approach, including estimates of cost new and accrued depreciation.
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in data and analysis for the income approach, including estimates of market rent, vacancy/expense analysis, and development of GRM or capitalization rate.
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in gathering and verifying comparable sales data, and analysis of the comparable sales.
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in the exterior inspection of the sales, rentals, land and/or other comparables.
<input type="checkbox"/>	<input type="checkbox"/>	X	Assisted in sketch drawing.
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in entering subject and comparable data on the form and in the comment areas.
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in reconciliation and final opinion of value for the subject property.
X	<input type="checkbox"/>	<input type="checkbox"/>	Assisted in the final review of this report.
			Other _____

SIGNATURE OF THE APPRAISAL TRAINEE Stephanie L. Gaydis

PRINT/TYPE NAME: Stephanie L. Gaydis

The supervising certified real estate appraiser certifies that the named individual did assist with the items checked above, and also certifies that he/she reviewed all work done by the trainee. The supervising appraiser further certifies that the person signing this report as trainee understands the concepts and processes associated with the appraisal process.

SIGNATURE OF SUPERVISING CERTIFIED REAL ESTATE APPRAISER: Robert C. Zickel, III

## Valbridge Property Advisors Information / Office Locations



## FAST FACTS

### COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
  - Total number of MAI-designated appraisers (200+ on staff)
  - Total number of office locations (70+ across U.S.)
  - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.

**Valbridge Property Advisors, Inc.**

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Summer 2018

Each Valbridge office is independently owned and operated.